
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from _____ to _____

Commission File Number: 001-35703

PUMA BIOTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0683487
(I.R.S. Employer
Identification Number)

10880 Wilshire Boulevard, Suite 2150, Los Angeles, CA 90024
(Address of principal executive offices) (Zip code)

(424) 248-6500
(Registrant's telephone number, including area code)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 32,493,092 shares of Common Stock, par value \$0.0001 per share, were outstanding as of August 2, 2016.

PUMA BIOTECHNOLOGY, INC.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward looking. These forward-looking statements include, but are not limited to, statements about:

- the development of our drug candidates, including when we expect to undertake, initiate and complete clinical trials of our product candidates;
- the regulatory approval of our drug candidates;
- the anticipated timing of product revenues and the commercial availability of our drug candidates;
- our use of clinical research organizations and other contractors;
- our ability to find collaborative partners for research, development and commercialization of potential products;
- our ability to market any of our products;
- our history of operating losses;
- our expectations regarding our costs and expenses;
- our anticipated capital requirements and estimates regarding our needs for additional financing;
- our ability to compete against other companies and research institutions;
- our ability to secure adequate protection for our intellectual property;
- our intention to vigorously defend against a purported securities class action lawsuit; derivative lawsuits and a defamation lawsuit;
- our ability to attract and retain key personnel; and
- our ability to obtain adequate financing.

These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend” and similar words or phrases. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Discussions containing these forward-looking statements may be found throughout this Quarterly Report on Form 10-Q, including, in Part I, the section entitled “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These forward-looking statements involve risks and uncertainties, including the risks discussed in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015 and Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q that could cause our actual results to differ materially from those in the forward-looking statements. Such risks should be considered in evaluating our prospects and future financial performance. We undertake no obligation to update the forward-looking statements or to reflect events or circumstances after the date of this document.

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2016	December 31, 2015
	(unaudited)	(Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,836	\$ 31,569
Marketable securities	85,952	184,320
Prepaid expenses and other, current	8,782	7,660
Receivables	1,179	—
Total current assets	153,749	223,549
Property and equipment, net	5,224	2,383
Prepaid expenses and other, long-term	7,604	9,597
Restricted cash	4,315	4,313
Total assets	\$ 170,892	\$ 239,842
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,624	\$ 17,803
Accrued expenses	14,344	14,639
Total current liabilities	38,968	32,442
Deferred rent	4,847	1,393
Total liabilities	43,815	33,835
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock - \$.0001 par value; 100,000,000 shares authorized; 32,493,092 shares issued and outstanding at June 30, 2016 and 32,466,842 issued and outstanding at December 31, 2015	3	3
Additional paid-in capital	785,112	726,651
Accumulated other comprehensive income (loss)	31	(147)
Accumulated deficit	(658,069)	(520,500)
Total stockholders' equity	\$ 127,077	\$ 206,007
Total liabilities and stockholders' equity	\$ 170,892	\$ 239,842

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating expenses:				
General and administrative	\$ 12,265	\$ 5,532	\$ 23,304	\$ 13,403
Research and development	54,216	59,381	114,423	104,109
Totals	66,481	64,913	137,727	117,512
Loss from operations	(66,481)	(64,913)	(137,727)	(117,512)
Other (expenses) income:				
Interest income	260	213	542	336
Other (expenses) income	(376)	6	(384)	28
Totals	(116)	219	158	364
Net loss	\$ (66,597)	\$ (64,694)	\$ (137,569)	\$ (117,148)
Net loss applicable to common stock	\$ (66,597)	\$ (64,694)	\$ (137,569)	\$ (117,148)
Net loss per common share—basic and diluted	\$ (2.05)	\$ (2.01)	\$ (4.23)	\$ (3.68)
Weighted-average common shares outstanding—basic and diluted	32,493,092	32,158,108	32,485,750	31,874,346

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net loss	\$ (66,597)	\$ (64,694)	\$ (137,569)	\$ (117,148)
Other comprehensive loss				
Unrealized gain (loss) on available-for-sale securities	2	(92)	178	(86)
Comprehensive loss	<u>\$ (66,595)</u>	<u>\$ (64,786)</u>	<u>\$ (137,391)</u>	<u>\$ (117,234)</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2015	32,466,842	\$ 3	\$ 726,651	\$ (147)	\$ (520,500)	\$ 206,007
Stock-based compensation	—	—	58,239	—	—	58,239
Exercises of stock options	26,250	—	222	—	—	222
Unrealized gain on available-for-sale securities	—	—	—	178	—	178
Net loss	—	—	—	—	(137,569)	(137,569)
Balance at June 30, 2016	<u>32,493,092</u>	<u>\$ 3</u>	<u>\$ 785,112</u>	<u>\$ 31</u>	<u>\$ (658,069)</u>	<u>\$ 127,077</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Six Months Ended June 30,	
	2016	2015
Operating activities:		
Net loss	\$ (137,569)	\$ (117,148)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	455	369
Build-out allowance received from landlord	2,997	179
Stock-based compensation	58,239	48,297
Disposal of leasehold improvements	368	—
Changes in operating assets and liabilities:		
Receivables	(1,179)	1,760
Prepaid expenses and other	871	100
Accounts payable	6,821	(4,553)
Accrued expenses	(295)	(13,789)
Accrual of deferred rent	3,454	215
Net cash used in operating activities	<u>(65,838)</u>	<u>(84,570)</u>
Investing activities:		
Purchase of property and equipment	(3,665)	(791)
Restricted cash	(2)	—
Expenditures for leasehold improvements	(2,997)	(179)
Purchase of available-for-sale securities	(62,727)	(186,720)
Sale/maturity of available-for-sale securities	161,274	66,891
Net cash provided by (used in) investing activities	<u>91,883</u>	<u>(120,799)</u>
Financing activities:		
Net proceeds from issuance of common stock	—	205,133
Net proceeds from exercise of options	222	21,534
Net cash provided by financing activities	<u>222</u>	<u>226,667</u>
Net increase in cash and cash equivalents	26,267	21,298
Cash and cash equivalents, beginning of period	31,569	38,539
Cash and cash equivalents, end of period	<u>\$ 57,836</u>	<u>\$ 59,837</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Business and Basis of Presentation:

Business:

Puma Biotechnology, Inc., or Puma, is a biopharmaceutical company based in Los Angeles, California with a focus on the development and commercialization of innovative products to enhance cancer care. The Company in-licenses the global development and commercialization rights to three drug candidates—PB272 (neratinib (oral)), PB272 (neratinib (intravenous)) and PB357. Neratinib is a potent irreversible tyrosine kinase inhibitor that blocks signal transduction through the epidermal growth factor receptors, HER1, HER2 and HER4. Currently, the Company is primarily focused on the development of the oral version of neratinib, and its most advanced drug candidates are directed at the treatment of HER2-positive breast cancer. The Company believes that neratinib has clinical application in the treatment of several other cancers as well, including non-small cell lung cancer and other tumor types that over-express or have a mutation in HER2.

In November 2012, the Company established and incorporated Puma Biotechnology Ltd., a wholly owned subsidiary, for the sole purpose of serving as Puma's legal representative in the United Kingdom and the European Union in connection with Puma's clinical trial activity in those countries.

Basis of Presentation:

The Company is initially focused on developing neratinib for the treatment of patients with human epidermal growth factor receptor type 2, or HER2-positive, breast cancer, HER2 mutated non-small cell lung cancer, HER2-negative breast cancer that has a HER2 mutation and other solid tumors that have an activating mutation in HER2. The Company has reported a net loss of approximately \$66.6 million and \$137.6 million for the three and six month ended June 30, 2016, respectively, and negative cash flows from operations of approximately \$65.8 million for the six months ended June 30, 2016. Management believes that the Company will continue to incur net losses and negative net cash flows from operating activities through the drug development process.

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all information and footnotes required by GAAP for complete annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2016, or for any subsequent period. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The condensed consolidated balance sheet at December 31, 2015, has been derived from the audited consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

The Company's continued operations will depend on its ability to raise funds through various potential sources, such as equity and debt financing. Through June 30, 2016, the Company's financing was primarily through public offerings of Company common stock and private equity placements. Given the current and desired pace of clinical development of its product candidates, management believes that the cash and cash equivalents and marketable securities on hand at June 30, 2016, are sufficient to fund clinical development through 2016 and into 2017. The Company may need additional financing until it can achieve profitability, if ever. There can be no assurance that additional capital will be available on favorable terms or at all or that any additional capital that the Company is able to obtain will be sufficient to meet its needs. If it is unable to raise additional capital, the Company could likely be forced to curtail desired development activities, which will delay the development of its product candidates.

Note 2—Significant Accounting Policies:

The significant accounting policies followed in the preparation of these condensed consolidated financial statements are as follows:

Use of Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the balance sheet, and reported amounts of expenses for the

period presented. Accordingly, actual results could differ from those estimates. Significant estimates include accrued expenses for the cost of services provided by consultants who manage clinical trials and conduct research and clinical trials on behalf of the Company that are billed on a delayed basis. As the actual costs become known, the Company adjusts its estimated cost in that period. The value of stock-based compensation includes estimates based on future events, which are difficult to predict. It is at least reasonably possible that a change in the estimates used to record accrued expenses and to value the stock-based compensation will occur in the near term.

Principles of Consolidation:

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Investment Securities:

The Company classifies all investment securities (short term and long term) as available-for-sale, as the sale of such securities may be required prior to maturity to implement management's strategies. These securities are carried at fair value, with the unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders' equity until realized. Realized gains and losses from the sale of available-for-sale securities, if any, are determined on a specific identification basis. A decline in the market value of any available-for-sale security below cost that is determined to be other than temporary results in a revaluation of its carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the straight-line method. Interest income is recognized when earned.

Assets Measured at Fair Value on a Recurring Basis:

Accounting Standards Codification, or ASC, 820, *Fair Value Measurement*, or ASC 820, provides a single definition of fair value and a common framework for measuring fair value as well as new disclosure requirements for fair value measurements used in financial statements. Under ASC 820, fair value is determined based upon the exit price that would be received by a company to sell an asset or paid by a company to transfer a liability in an orderly transaction between market participants, exclusive of any transaction costs. Fair value measurements are determined by either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability. Absent a principal market to measure fair value, the Company uses the most advantageous market, which is the market from which the Company would receive the highest selling price for the asset or pay the lowest price to settle the liability, after considering transaction costs. However, when using the most advantageous market, transaction costs are only considered to determine which market is the most advantageous and these costs are then excluded when applying a fair value measurement. ASC 820 creates a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below, with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3) (in thousands):

June 30, 2016	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 56,220	\$ —	\$ —	\$ 56,220
Commercial paper	—	33,336	—	33,336
Marketable securities - U.S. government	—	6,017	—	6,017
Marketable securities - corporate bonds	—	46,599	—	46,599
	<u>\$ 56,220</u>	<u>\$ 85,952</u>	<u>\$ —</u>	<u>\$ 142,172</u>

December 31, 2015	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 29,166	\$ —	\$ —	\$ 29,166
Commercial paper	—	2,996	—	2,996
Marketable securities - U.S. government	—	11,500	—	11,500
Marketable securities - corporate bonds	—	169,824	—	169,824
	<u>\$ 29,166</u>	<u>\$ 184,320</u>	<u>\$ —</u>	<u>\$ 213,486</u>

The Company's investments in commercial paper, corporate bonds and U.S. government securities are exposed to price fluctuations. The fair value measurements for commercial paper, corporate bonds and U.S. government securities are based upon the quoted prices of similar items in active markets multiplied by the number of securities owned, exclusive of any transaction costs and without any adjustments to reflect discounts that may be applied to selling a large block of securities at one time.

Concentration of Risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, principally consist of cash and cash equivalents. The Company's cash and cash equivalents in excess of the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insured limits at June 30, 2016, were approximately \$62.1 million. The Company does not believe it is exposed to any significant credit risk due to the quality of the financial instruments in which the money is held. Pursuant to the Company's internal investment policy, investments must be rated A-1/P-1 or better by Standard and Poor's Corporation and Moody's Investors Service at the time of purchase.

Property and Equipment:

Property and equipment are recorded at cost and depreciated over estimated useful lives ranging from three to five years using the straight-line method. Leasehold improvements are recorded at cost and amortized over the shorter of their useful lives or the term of the lease by use of the straight-line method. Maintenance and repair costs are charged to operations as incurred.

The Company assesses the impairment of long-lived assets, primarily property and equipment, whenever events or changes in business circumstances indicate that carrying amounts of the assets may not be fully recoverable. When such events occur, management determines whether there has been impairment by comparing the asset's carrying value with its fair value, as measured by the anticipated undiscounted net cash flows of the asset. Should impairment exist, the asset is written down to its estimated fair value. The Company has not recognized any impairment losses through June 30, 2016.

Research and Development Expenses:

Research and development expenses are charged to operations as incurred. The major components of research and development costs include clinical manufacturing costs, clinical trial expenses, consulting and other third-party costs, salaries and employee benefits, stock-based compensation expense, supplies and materials, and allocations of various overhead costs. Clinical trial expenses include, but are not limited to, investigator fees, site costs, comparator drug costs, and clinical research organization, or CRO, costs. In the normal course of business, the Company contracts with third parties to perform various clinical trial activities in the ongoing development of potential products. The financial terms of these agreements are subject to negotiation and variations from contract to contract and may result in uneven payment flows. Payments under the contracts depend on factors such as the achievement of certain events, the successful enrollment of patients and the completion of portions of the clinical trial or similar conditions. The Company's accruals for clinical trials are based on estimates of the services received and efforts expended pursuant to contracts with numerous clinical trial sites, cooperative groups and CROs. The objective of the Company's accrual policy is to match the recording of expenses in the condensed consolidated financial statements to the actual services received and efforts expended. As actual costs become known, the Company adjusts its accruals in that period.

In instances where the Company enters into agreements with third parties for clinical trials and other consulting activities, upfront amounts are recorded to prepaid expenses and other in the accompanying condensed consolidated balance sheets and expensed as services are performed or as the underlying goods are delivered. If the Company does not expect the services to be rendered or goods to be delivered, any remaining capitalized amounts for non-refundable upfront payments are charged to expense immediately. Amounts due under such arrangements may be either fixed fee or fee for service, and may include upfront payments, monthly payments and payments upon the completion of milestones or receipt of deliverables.

Costs related to the acquisition of technology rights and patents for which development work is still in process are charged to operations as incurred and considered a component of research and development costs.

Stock-Based Compensation:

Stock option awards:

ASC 718, *Compensation — Stock Compensation*, or ASC 718, requires the fair value of all share-based payments to employees, including grants of stock options, to be recognized in the statement of operations over the requisite service period. Under ASC 718, employee option grants are generally valued at the grant date and those valuations do not change once they have been established. The fair value of each option award is estimated on the grant date using the Black-Scholes Option Pricing Method. As allowed by ASC 718 for companies with a short period of publicly traded stock history, the Company's estimate of expected volatility is based on the average expected volatilities of a sampling of seven companies with similar attributes to the Company, including industry, stage of life cycle, size and financial leverage. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant valuation. Option forfeitures are calculated when the option is granted to reduce the option expense to be recognized over the life of the award and updated upon receipt of further information as to the amount of options expected to be forfeited. The option expense is "trued-up" upon the actual forfeiture of a stock option grant. Due to its limited history, the Company uses the simplified method to determine the expected life of the option grants.

Performance shares:

The performance shares are valued on the grant date and the fair value of the performance award is equal to the market price of the Company's common stock on the grant date. The performance share expense is recognized based on the Company's estimate of a range of probabilities that the Company's closing common stock price on the vesting dates will be lower or higher than the Company's common stock price on the grant date. Based on the range of probabilities, the expense is calculated and recognized over the three-year vesting period.

Net Loss per Common Share:

Basic net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the periods presented as required by ASC 260, *Earnings per Share*. Diluted earnings per common share are the same as basic earnings per common share because the assumed exercise of the Company's outstanding options are anti-dilutive. For the three and six months ended June 30, 2016, potentially dilutive securities excluded from the calculations were 5,765,520 shares issuable upon exercise of options, 9,469 shares issuable as performance awards and 2,116,250 shares issuable upon exercise of a warrant. For the three and six months ended June 30, 2015, potentially dilutive securities excluded from the earnings per common share calculation were 4,124,009 issuable upon exercise of options, 18,942 issuable as performance shares and 2,116,250 shares issuable upon exercise of a warrant.

Deferred Rent:

The Company has entered into operating lease agreements for its corporate offices in Los Angeles and South San Francisco that contain provisions for future rent increases, leasehold improvement allowances and rent abatements. The Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between the rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying condensed consolidated balance sheets. Additionally, the Company recorded as deferred rent the cost of the leasehold improvements paid by the landlord, which is amortized on a straight-line basis over the term of the lease.

Issuance of Common Stock Upon Exercise of Stock Option Grants:

When a stock option grant is exercised, the Company notifies its transfer agent to release the required number of common stock shares from the reserve for the Company's 2011 Incentive Award Plan. The Company records the transaction for the cash received and the issuance of common shares. Should there be a delay in the cash receipts due to the settlement period, the Company records a receivable from the exercise of an option as part of stockholders' equity on the condensed consolidated balance sheet.

Recently Issued Accounting Standards:

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of some of the amendments included in ASU 2016-01 for financial statements of fiscal years or interim periods that have not yet been issued is permitted as of the beginning of the fiscal year of adoption. The Company is currently evaluating the effect that the adoption of ASU 2016-01 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The amendments in ASU 2016-02 will require organizations that lease assets, with lease terms of more than 12 months, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Consistent with current U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effect that the adoption of ASU 2016-02 will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments. ASU 2016-06 amends FASB ASC 815-15 to clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. ASU 2016-06 will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. An entity should apply the amendments in ASU No. 2016-06 on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effect that the adoption of ASU 2016-06 will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718). ASU 2016-09 will require organizations to recognize all income tax effects of awards in the statement of operations when the awards vest or are settled. ASU 2016-09 will also allow organizations to repurchase more shares from employees than they could previously purchase for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. ASU 2016-09 will be effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted in any interim or annual period. The Company is currently evaluating the effect that the adoption of ASU 2016-09 will have on its financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606). ASU 2016-10 amends ASC 606, Revenue from Contracts with Customers, to clarify two aspects of ASC 606, identifying performance obligations and the licensing implementation guidance, while retaining the related principles of those areas. The amendments in ASU 2016-10 do not change the core principle of the guidance in ASC 606. The amendments in ASU No. 2016-10 affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in ASU No. 2016-10 are the same as the effective date and transition requirements in ASC 606 and any other Topic amended by ASU 2014-09. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the effect that the adoption of ASU 2016-10 will have on its financial statements.

In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606). ASU 2016-12 amends ASC 606 to address certain issues in the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in ASU 2016-12 do not change the core principle of the guidance in ASC 606. The amendments in ASU No. 2016-12 affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in ASU No. 2016-12 are the same as the effective date and transition requirements in ASC 606 and any other Topic amended by ASU 2014-09. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of ASU 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently evaluating the effect that the adoption of ASU 2016-12 will have on its financial statements.

Note 3—Prepaid Expenses and Other:

Prepaid expenses and other consisted of the following (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Current:		
CRO services	\$ 4,473	\$ 2,969
Other clinical development	2,189	2,309
Insurance	560	1,138
Other	1,560	1,244
	<u>8,782</u>	<u>7,660</u>
Long-term:		
CRO services	4,450	5,754
Other clinical development	2,459	3,005
Insurance	72	87
Other	623	751
	<u>7,604</u>	<u>9,597</u>
Totals	\$ <u>16,386</u>	\$ <u>17,257</u>

Note 4—Property and Equipment:

Property and equipment consisted of the following (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Property and Equipment:		
Leasehold improvements	\$ 3,615	\$ 1,502
Computer equipment	1,726	1,646
Telephone equipment	169	169
Furniture and fixtures	2,100	1,167
	<u>7,610</u>	<u>4,484</u>
Less: accumulated depreciation and amortization	(2,386)	(2,101)
Totals	\$ <u>5,224</u>	\$ <u>2,383</u>

During the six months ended June 30, 2016, the Company disposed of leasehold improvements that were surrendered as a result of the amended lease in its South San Francisco location (see Note 9 – Commitments and Contingencies of the Consolidated Financial Statements section of the Annual Report on Form 10-K for the year ended December 31, 2015). The loss on the disposal of leasehold improvements was approximately \$0.4 million.

Note 5—Accrued Expenses:

Accrued expenses consisted of the following (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Accrued CRO services	\$ 6,339	\$ 8,436
Accrued other clinical development	3,247	3,618
Accrued legal fees	480	443
Accrued compensation	4,056	1,970
Other	222	172
Totals	\$ <u>14,344</u>	\$ <u>14,639</u>

Accrued CRO services represent the Company's estimate of such costs and will be adjusted in the period the actual costs become known. Accrued compensation includes estimated bonus and earned but unused vacation for full-time employees. When actual performance bonuses are paid out to employees, the bonus expense will be adjusted to reflect the actual expense for the year. Additionally, vacation is accrued at the rate the employee earns vacation and reduced as vacation is used by the employee.

Note 6—Stockholders' Equity:**Stock-Based Compensation:**

The Company's 2011 Incentive Award Plan, or the 2011 Plan, was adopted by the Board of Directors on September 15, 2011. Pursuant to the 2011 Plan, the Company may grant incentive stock options and nonqualified stock options, as well as other forms of equity-based compensation. Incentive stock options may be granted only to employees, while consultants, employees, officers and directors are eligible for the grant of nonqualified options under the 2011 Plan. The maximum term of stock options granted under the 2011 Plan is 10 years. The exercise price of incentive stock options granted under the 2011 Plan must be at least equal to the fair value of such shares on the date of grant. Through June 30, 2016, a total of 10,529,412 shares of the Company's common stock have been reserved for issuance under the 2011 Plan.

Employee stock-based compensation for the three and six months ended June 30, 2016 and 2015 were as follows (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Stock-based compensation:				
Options -				
Research and development, or R&D	\$ 22,494	\$ 25,472	\$ 46,050	\$ 40,726
General and administrative, or G&A	6,168	2,722	12,050	7,426
Performance shares - R&D	67	—	139	145
Total stock-based compensation expense	\$ 28,729	\$ 28,194	\$ 58,239	\$ 48,297
Impact on basic and diluted net loss per share	\$ 0.88	\$ 0.88	\$ 1.79	\$ 1.52
Weighted average shares (basic and diluted)	32,493,092	32,158,108	32,485,750	31,874,346

Performance Shares:

During January 2014, performance share awards that provide for a maximum of 28,411 common stock shares to be issued were granted to certain employees. These shares vest over three years on the first, second and third anniversary of December 15, 2013. On each vesting date, if the Company's closing common stock price is equal to \$102.46 per share, one-third of the 28,411 shares will be awarded. If the Company's closing common stock price is either lesser or greater than \$102.46 per share, the number of common stock shares to be issued will be adjusted to be less than one-third of the 28,411 shares. No shares will be awarded if the Company's closing common stock price is less than \$47.53 per share at the vesting dates. The performance shares are valued on the grant date and the fair value of the performance award is equal to the market price of the Company's common stock on the grant date. The performance share expense is recognized based on the Company's estimate of a range of probabilities that the Company's closing common stock price will be lower or higher than \$102.46 on the vesting dates. Based on the range of probabilities, the expense is calculated and recognized over the three-year vesting period. On December 15, 2015, the second vesting occurred and the calculations were performed. As a result, 6,530 shares of common stock were issued to the employees and 2,943 performance shares were cancelled. The third and final vesting event will occur on December 15, 2016.

Performance shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2015	9,469	\$ 102.46
Granted	—	—
Vested/Issued	—	—
Cancelled	—	—
Nonvested shares at June 30, 2016	9,469	\$ 102.46

Stock Options:

The fair value of options granted to employees was estimated using the Black-Scholes Option Pricing Method (see Note 2—Significant Accounting Policies) with the following weighted-average assumptions used during the six months ended June 30, 2016 and 2015:

	2016	2015
Dividend yield	0.0%	0.0%
Expected volatility	67.2%	63.1%
Risk-free interest rate	1.5%	1.6%
Expected life in years	5.67	5.85

Activity with respect to options granted under the 2011 Plan is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	5,542,285	\$ 105.59	8.6	\$ 87,632
Granted	532,417	\$ 46.24	9.4	—
Forfeited	(259,046)	\$ 122.88		
Exercised	(26,250)	\$ 8.46		\$ 920
Expired	(23,886)	\$ 106.53		
Outstanding at June 30, 2016	5,765,520	\$ 99.77	8.2	\$ 17,673
Nonvested at June 30, 2016	3,193,739	\$ 105.99	9.1	\$ 71
Exercisable at June 30, 2016	2,571,781	\$ 92.06	7.1	\$ 17,602

At June 30, 2016, total estimated unrecognized employee compensation cost related to nonvested stock options and performance shares granted prior to that date were approximately \$170.2 million and \$0.3 million, respectively. These unrecognized expenses are expected to be recognized over a weighted-average period of 1.8 years for stock options and 0.5 years for performance shares. The weighted-average grant date fair value of options granted during the six months ended June 30, 2016 and 2015, were \$27.42 per share and \$115.49 per share, respectively.

Stock options	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2015	3,572,202	\$ 73.59
Granted	532,417	27.42
Vested/Issued	(651,834)	95.66
Forfeited	(259,046)	74.49
Nonvested shares at June 30, 2016	3,193,739	63.20

Note 7—401(k) Savings Plan:

During 2012, the Company adopted a 401(k) savings plan for the benefit of its employees. The Company is required to make matching contributions to the 401(k) plan equal to 100% of the first 3% of wages deferred by each participating employee and 50% on the next 2% of wages deferred by each participating employee. The Company incurred expenses for employer matching contributions of approximately \$0.5 million and \$0.3 million for the six months ended June 30, 2016 and 2015, respectively.

Note 8—Receivables:

On April 1, 2016, the Company took possession of additional office space pursuant to the amendments to the leases entered into in July 2015 (see Note 9 – Commitments and Contingencies of the Consolidated Financial Statements section of the Annual Report on Form 10-K for the year ended December 31, 2015). This office space increased the leased square footage in the Los Angeles and South San Francisco offices by approximately 26,000 square feet and 13,000 square feet, respectively. Pursuant to the terms of these amended leases, the landlords provided tenant improvement allowances. One of the tenant improvement allowances was prepaid by

the Company and will be reimbursed by the landlord prior to December 31, 2016. The total of this landlord receivable is approximately \$1.2 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with our audited consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2015.

Unless otherwise provided in this Quarterly Report, references to the "Company," "we," "us," and "our" refer to Puma Biotechnology, Inc., a Delaware corporation, together with its wholly-owned subsidiary, Puma Biotechnology Ltd.

Overview

We are a biopharmaceutical company with a focus on the development and commercialization of innovative products to enhance cancer care. We in-license the global development and commercialization rights to three drug candidates—PB272 (neratinib (oral)), PB272 (neratinib (intravenous)) and PB357. Neratinib is a potent irreversible tyrosine kinase inhibitor, or TKI, that blocks signal transduction through the epidermal growth factor receptors, HER1, HER2 and HER4. Currently, we are primarily focused on the development of the oral version of neratinib, and our most advanced drug candidates are directed at the treatment of HER2-positive breast cancer. We believe neratinib has clinical application in the treatment of several other cancers as well, including non-small cell lung cancer and other tumor types that over-express or have a mutation in HER2. Our efforts and resources to date have been focused primarily on acquiring and developing our pharmaceutical technologies, raising capital and recruiting personnel. We have had no product sales to date and we will have no product sales until we receive approval from the United States Food and Drug Administration, or FDA, or equivalent foreign regulatory bodies to begin selling our pharmaceutical candidates. Developing pharmaceutical products, however, is a lengthy and very expensive process. Assuming we do not encounter any unforeseen safety issues during the course of developing our product candidates, we do not expect to receive approval of a product candidate until approximately 2017.

We recently completed a Phase III clinical trial of neratinib for the extended adjuvant treatment of women with early stage HER2-positive breast cancer, which we refer to as the ExteNET trial. Based on the results from the ExteNET trial, we submitted a New Drug Application, or NDA, with the FDA for regulatory approval of neratinib in the extended adjuvant setting in the United States in July 2016 and a Marketing Authorization Application, or MAA, with the European Medicines Agency, or EMEA, in June 2016. We are continuing to evaluate potential commercialization options for neratinib in this indication, including developing a direct sales force, contracting with third parties to provide sales and marketing capabilities, some combination of these two options or other strategic options. We expect that our expenses will continue to increase as we continue to evaluate our options with regard to commercialization efforts.

Critical Accounting Policies

As of the date of the filing of this quarterly report, we believe there have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2016, from our accounting policies at December 31, 2015, as reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Summary of Expenses

General and administrative, or G&A, expenses consist primarily of salaries and related personnel costs, including stock-based compensation expense, professional fees, business insurance, rent, general legal activities, preparation for commercialization and other corporate expenses.

Research and development, or R&D expenses include costs associated with services provided by consultants who conduct clinical services on our behalf, contract organizations for manufacturing of clinical materials and clinical trials. During the six months ended June 30, 2016 and 2015, our R&D expenses consisted primarily of clinical research organization, or CRO fees, fees paid to consultants, salaries and related personnel costs and stock-based compensation. We expense our R&D costs as they are incurred.

Results of Operations

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

General and administrative expenses:

For the three months ended June 30, 2016, G&A expenses were approximately \$12.3 million, compared to approximately \$5.5 million for the three months ended June 30, 2015. G&A expenses for the three months ended June 30, 2016 and 2015 were as follows:

General and administrative expenses (in thousands)	Three Months Ended June 30,		Period to period percentage change
	2016	2015	
Payroll and related costs	\$ 1,755	\$ 831	111.2%
Professional fees and expenses	2,286	755	202.8%
Facility and equipment costs	1,357	564	140.6%
Employee stock-based compensation expense	6,168	2,722	126.6%
Other	699	660	5.9%
	<u>\$ 12,265</u>	<u>\$ 5,532</u>	<u>121.7%</u>

For the three months ended June 30, 2016, G&A expenses increased approximately \$6.8 million compared to the same period in 2015. Approximately \$3.5 million of this increase is related to an increase in stock-based compensation expense, attributable to our increased headcount and additional incentive awards to existing employees. The remaining approximately \$3.3 million increase in G&A expense for the three months ended June 30, 2016, compared to the same period in 2015, was primarily attributable to:

- an approximately \$1.5 million increase in professional fees and expenses, which consist primarily of legal, auditing, consulting and investor relations fees. We expect these fees to increase as we continue to defend against the class action, derivative and defamation lawsuits filed against us and as we support compliance measures related to the Sarbanes Oxley Act of 2002, as amended, or Sarbanes Oxley.
- an approximately \$1.0 million increase in payroll and related costs as administrative headcount increased from 15 to 21 to support corporate growth and to prepare for the commercial launch of neratinib. We expect these payroll and related costs to continue to increase as we prepare for commercialization.
- an approximately \$0.8 million increase in facility and equipment costs. During 2015, we amended two of our office leases and in April 2016 we took possession of additional office space pursuant to the amended leases; therefore, we expect that our facility and equipment costs will continue at the higher levels similar to the three months ended June 30, 2016.

Research and development expenses:

For the three months ended June 30, 2016, R&D expenses were approximately \$54.2 million, compared to approximately \$59.4 million for the three months ended June 30, 2015. R&D expenses for the three months ended June 30, 2016 and 2015 were as follows:

Research and development expenses (in thousands)	Three Months Ended June 30,		Period to period percentage change
	2016	2015	
Clinical trial expenses	\$ 18,837	\$ 23,716	(20.6%)
Internal clinical development	6,651	5,169	28.7%
Internal regulatory affairs and quality assurance	2,484	2,162	14.9%
Consultants and contractors	3,179	2,610	21.8%
Internal chemical manufacturing	504	252	100.0%
Employee stock-based compensation	22,561	25,472	(11.4%)
	<u>\$ 54,216</u>	<u>\$ 59,381</u>	<u>(8.7%)</u>

For the three months ended June 30, 2016, R&D expenses decreased approximately \$5.2 million compared to the same period in 2015. Approximately \$2.9 million of this decrease is related to a decrease in stock-based compensation expense, attributable to a decreased stock price valuation for incentive awards to new and existing employees. The remaining approximately \$2.3 million decrease in R&D expense for the three months ended June 30, 2016, compared to the same period in 2015, was primarily attributable to:

- an approximately \$4.9 million decrease in clinical trial expenses as a result of a decrease in CRO professional and pass-through costs of approximately \$5.1 million and a decrease in drug supply manufacturing and logistics of approximately

\$1.1 million as clinical trial activity decreased, offset by an approximately \$ 1.3 million increase in clinical services primarily attributable to our preparation for filing an NDA and MAA , which were submitted in July 2016 and June 2016, respectively .

- an approximately \$2.0 million increase for internal clinical development, internal regulatory affairs and quality assurance, and internal chemical manufacturing. This increase represents an increase in full-time R&D headcount to 139 from 119 for the three months ended June 30, 2016, compared to the same period in 2015. We expect internal R&D expenses to continue at levels similar to the three months ended June 30, 2016, as we expect headcount will remain at approximately the same level.
- an approximately \$0.6 million increase in consultants and contractors related expenses due to increased activity in our preparation for filing an NDA and MAA, which were submitted in July 2016 and June 2016, respectively.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

General and administrative expenses:

For the six months ended June 30, 2016, G&A expenses were approximately \$23.3 million, compared to approximately \$13.4 million for the six months ended June 30, 2015. G&A expenses for the six months ended June 30, 2016 and 2015 were as follows:

General and administrative expenses (in thousands)	Six Months Ended June 30,		Period to period percentage change
	2016	2015	
Payroll and related costs	\$ 3,191	\$ 1,864	71.2%
Professional fees and expenses	4,598	1,729	165.9%
Facility and equipment costs	2,062	1,115	84.9%
Employee stock-based compensation expense	12,050	7,426	62.3%
Other	1,403	1,269	10.6%
	<u>\$ 23,304</u>	<u>\$ 13,403</u>	<u>73.9%</u>

For the six months ended June 30, 2016, G&A expenses increased approximately \$9.9 million compared to the same period in 2015. Approximately \$4.6 million of this increase is related to an increase in stock-based compensation expense, attributable to our increased headcount and additional incentive awards to existing employees. The remaining approximately \$5.3 million increase in G&A expense for the six months ended June 30, 2016, compared to the same period in 2015, was primarily attributable to:

- an approximately \$2.9 million increase in professional fees and expenses, which consist primarily of legal, auditing, consulting and investor relations fees. We expect these fees to increase as we continue to defend against the class action, derivative and defamation lawsuits filed against us and as we support compliance measures related to Sarbanes Oxley.
- an approximately \$1.3 million increase in payroll and related costs as administrative headcount increased from 15 to 21 to support corporate growth and to prepare for the commercial launch of neratinib. We expect these payroll and related costs to continue to increase as we prepare for commercialization.
- an approximately \$1.0 million increase in facility and equipment costs. During 2015, we amended two of our office leases and in April 2016 we took possession of additional office space pursuant to the amended leases; therefore, we expect that our facility and equipment costs will continue at the higher levels similar to the six months ended June 30, 2016.

Research and development expenses:

For the six months ended June 30, 2016, R&D expenses were approximately \$114.4 million, compared to approximately \$104.1 million for the six months ended June 30, 2015. R&D expenses for the six months ended June 30, 2016 and 2015 were as follows:

Research and development expenses (in thousands)	Six Months Ended June 30,		Period to period percentage change
	2016	2015	
Clinical trial expenses	\$ 42,454	\$ 43,034	(1.3%)
Internal clinical development	13,397	10,190	31.5%
Internal regulatory affairs and quality assurance	5,181	4,130	25.4%
Consultants and contractors	6,244	5,342	16.9%
Internal chemical manufacturing	958	542	76.8%
Employee stock-based compensation	46,189	40,871	13.0%
	<u>\$ 114,423</u>	<u>\$ 104,109</u>	<u>9.9%</u>

For the six months ended June 30, 2016, R&D expenses increased approximately \$10.3 million compared to the same period in 2015. Approximately \$5.3 million of this increase is related to an increase in stock-based compensation expense, attributable to additional incentive awards to new and existing employees. The remaining approximately \$5.0 million increase in R&D expense for the six months ended June 30, 2016, compared to the same period in 2015, was primarily attributable to:

- an approximately \$4.7 million increase for internal clinical development, internal regulatory affairs and quality assurance, and internal chemical manufacturing. This increase represents an increase in full-time R&D headcount to 139 from 119 for the six months ended June 30, 2016, compared to the same period in 2015. We expect internal R&D expenses to continue at levels similar to the six months ended June 30, 2016, as we expect headcount will remain at approximately the same level.
- an approximately \$0.9 million increase in consultants and contractors related expenses due to increased activity in our preparation for filing an NDA and MAA, which were submitted in July 2016 and June 2016, respectively.
- an approximately \$0.5 million decrease in clinical trial expenses as a result of a decrease in CRO professional and pass-through costs of approximately \$6.4 million, offset by an increase in drug supply manufacturing and logistics of approximately \$3.8 million for manufacturing and testing of clinical drug supply and approximately \$2.1 million increase in clinical services primarily attributable to our preparation for filing an NDA and MAA, which were submitted in July 2016 and June 2016, respectively.

While expenditures on current and future clinical development programs, particularly our PB272 program, are expected to be substantial, they are subject to many uncertainties, including the results of clinical trials and whether we develop any of our drug candidates with a partner or independently. As a result of such uncertainties, we cannot predict with any significant degree of certainty the duration and completion costs of our research and development projects or whether, when and to what extent we will generate revenue from the commercialization and sale of any of our product candidates. The duration and cost of clinical trials may vary significantly over the life of a project as a result of unanticipated events arising during clinical development and a variety of other factors, including:

- the number of trials and studies in a clinical program;
- the number of patients who participate in the trials;
- the number of sites included in the trials;
- the rates of patient recruitment and enrollment;
- the duration of patient treatment and follow-up;
- the costs of manufacturing our drug candidates; and
- the costs, requirements, timing of, and ability to secure regulatory approvals.

Interest income:

For the three and six months ended June 30, 2016, we recognized approximately \$260,000 and approximately \$542,000 in interest income, compared to approximately \$213,000 and approximately \$336,000 for the same periods in 2015, respectively. The increase in interest income is due to the use of longer-term higher yielding investments.

Other expenses:

During the three and six months ended June 30, 2016, we recognized a loss of approximately \$368,000 on the disposal of leasehold improvements due to the relocation of our South San Francisco office space (see Note 9 – Commitments and Contingencies of the Consolidated Financial Statements section of the Annual Report on Form 10-K for the year ended December 31, 2015).

Liquidity and Capital Resources

The following table summarizes our liquidity and capital resources as of June 30, 2016 and December 31, 2015, and is intended to supplement the more detailed discussion that follows:

Operating Activities:

Liquidity and capital resources (in thousands)	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 57,836	\$ 31,569
Marketable securities	85,952	184,320
Receivable	1,179	—
Working capital	114,781	191,107
Stockholders' equity	127,077	206,007

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash provided by (used in):		
Operating activities	\$ (65,838)	\$ (84,570)
Investing activities	91,883	(120,799)
Financing activities	222	226,667
Increase in cash and cash equivalents	<u>\$ 26,267</u>	<u>\$ 21,298</u>

For the three and six months ended June 30, 2016, we reported a net loss of approximately \$66.6 million and \$137.6 million, respectively, compared to approximately \$64.7 million and \$117.1 million for the same periods in 2015, respectively. Additionally, cash used in operating activities for the three and six months ended June 30, 2016, was approximately \$30.8 million and \$65.8 million, respectively, compared to approximately \$34.6 million and approximately \$84.6 million for the same periods in 2015, respectively.

The approximately \$65.8 million of net cash used in operating activities for the six months ended June 30, 2016, consisted primarily of approximately \$62.1 million of non-cash items such as depreciation and amortization, a build-out allowance from the landlord for our office space, the disposal of leasehold improvements and stock-based compensation; an increase of approximately \$3.5 million in the liability for deferred rent; an increase in other receivables of approximately \$1.2 million related to the build-out allowance to be received from the landlord; a decrease of approximately \$0.9 million in prepaid expenses and other; and an increase of approximately \$6.5 million in accrued expenses and accounts payable.

For the six months ended June 30, 2015, the net cash used in operating activities, noted above, consisted primarily of approximately \$48.8 million of non-cash items such as depreciation and amortization and stock-based compensation; and a decrease of approximately \$18.3 million in accounts payable and accrued expenses, approximately \$16.4 million of which represents a payment of taxes for stock option exercises in late December 2014. Cash used in operating activities also included an increase of approximately \$0.1 million in prepaid expenses and other and an increase of approximately \$0.2 million in deferred rent.

Investing Activities:

During the six months ended June 30, 2016, net cash provided by investing activities was approximately \$91.9 million compared to net cash used in investing activities of approximately \$120.8 million for the same period in 2015. The approximately \$91.9 million of net cash provided by investing activities during the six months ended June 30, 2016 was made up of approximately \$161.3 million of sales or maturities of available-for-sale securities, offset by \$62.7 million of cash invested in available-for-sale securities, approximately \$3.7 million used to purchase property and equipment and approximately \$3.0 million of expenditures for leasehold improvements. During the six months ended June 30, 2015, cash used in investing activities was primarily made up of approximately \$186.7 million used for the purchase of available-for-sale securities and approximately \$1.0 million used to purchase property, equipment, and leasehold improvements, offset by approximately \$66.9 million cash provided by the sale or maturities of available-for-sale securities.

Financing Activities:

During the six months ended June 30, 2016, we received approximately \$0.2 million of net proceeds from the exercise of stock options. During the same period in 2015, cash provided by financing activities was approximately \$226.7 million, comprised of net proceeds of approximately \$205.2 million from the closing of the January 2015 public offering of our common stock and approximately \$21.5 million of net proceeds from the exercise of stock options.

Current and Future Financing Needs:

We have incurred negative cash flow from operations since we started our business. We have spent, and expect to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development efforts, our clinical trials and our R&D efforts, and our preparation for commercialization. Given the current and desired pace of clinical development of our product candidates, over the next 12 months we estimate that our R&D spending will be approximately \$115 million to \$130 million, excluding stock-based compensation. We anticipate spending approximately \$15 million to \$20 million over the next 12 months for general and administrative expenses, excluding stock-based compensation. For sales and marketing, which includes costs to prepare for commercialization, we anticipate spending approximately \$80 million to \$100 million with the majority of these expenses commencing in late 2016 or early 2017. The actual amount of funds we will need to operate is subject to many factors, including the mechanism by which we choose to commercialize and some factors which are beyond our control.

While we believe that the approximately \$143.8 million in cash, cash equivalents and marketable securities as of June 30, 2016, will be sufficient to enable us to meet our anticipated expenditures through 2016 and into 2017, we may seek to obtain additional capital through the sale of debt or equity securities, if necessary, especially in conjunction with opportunistic acquisitions or licensing arrangements. We expect to continue incurring significant losses for the foreseeable future and our continuing operations will depend on whether we are able to raise additional funds through additional equity or debt financing or by entering into a strategic alliance with a third party concerning one or more of our product candidates. Through June 30, 2016, a significant portion of our financing has been through public offerings and private placements of our equity securities. We will continue to fund operations from cash on hand and through the similar sources of capital previously described. We can give no assurances that any additional capital raised will be sufficient to meet our needs. Further, in light of current economic conditions, including the lack of access to the capital markets being experienced by small companies, particularly in our industry, there can be no assurance that such capital will be available to us on favorable terms or at all. If we are unable to raise additional funds in the future, we may be forced to delay or discontinue the development of one or more of our product candidates and forego attractive business opportunities. Any additional sources of financing will likely involve the sale of our equity securities, which will have a dilutive effect on our stockholders.

In addition, we have based our estimate of funding our capital requirements on assumptions that may prove to be wrong. We may need to obtain additional funds sooner than planned or in greater amounts than we currently anticipate. Potential sources of financing include strategic relationships, public or private sales of equity or debt and other sources of funds. We may seek to access the public or private equity markets when conditions are favorable due to our long-term capital requirements. We do not have any committed sources of financing at this time, and it is uncertain whether additional funding will be available when we need it on terms that will be acceptable to us, or at all. If we raise funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interests of our existing stockholders will be diluted. If we are not able to obtain financing when needed, we may be unable to carry out our business plan. As a result, we may have to significantly limit our operations, and our business, financial condition and results of operations would be materially harmed. In such an event, we would be required to undertake a thorough review of our programs, and the opportunities presented by such programs, and allocate our resources in the manner most prudent.

Contractual Obligations:

On April 1, 2016, we took possession of the additional office space pursuant to the amendments to the leases entered into in July 2015 (see Note 9 – Commitments and Contingencies of the Consolidated Financial Statements section of the Annual Report on Form 10-K for the year ended December 31, 2015). This office space increased the leased square footage in the Los Angeles and South San Francisco offices by approximately 26,000 square feet and 13,000 square feet, respectively.

Non-GAAP Financial Measures:

In addition to our operating results, as calculated in accordance with GAAP, we use certain non-GAAP financial measures when planning, monitoring, and evaluating our operational performance. The following table presents our net loss and net loss per share, as calculated in accordance with GAAP, as adjusted to remove the impact of employee stock-based compensation. These non-GAAP financial measures are not, and should not be viewed as, substitutes for GAAP reporting measures. We believe these non-GAAP measures enhance understanding of our financial performance, are more indicative of our operational performance and facilitate a better comparison among fiscal periods.

For the three and six months ended June 30, 2016, stock-based compensation represented approximately 43.1% and 42.3% of our loss from operations, respectively, and approximately 43.6% and 41.2% for the same periods in 2015. This cost is related to our employee hiring practice and the fair market value of the stock option grants on the day granted.

**Reconciliation of GAAP Net Loss to Non-GAAP Adjusted Net Loss and
GAAP Net Loss Per Share to Non-GAAP Adjusted Net Loss Per Share**

(in thousands except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
GAAP net loss	\$ (66,597)	\$ (64,694)	\$ (137,569)	\$ (117,148)
Adjustments:				
Stock-based compensation -				
General and administrative	6,168	2,722	12,050	7,426 (1)
Research and development	22,561	25,472	46,189	40,871 (2)
Non-GAAP adjusted net loss	<u>\$ (37,868)</u>	<u>\$ (36,500)</u>	<u>\$ (79,330)</u>	<u>\$ (68,851)</u>
GAAP net loss per share — basic and diluted	\$ (2.05)	\$ (2.01)	\$ (4.23)	\$ (3.68)
Adjustment to net loss (as detailed above)	0.88	0.88	1.79	1.52
Non-GAAP adjusted net loss per share	<u>\$ (1.17)</u>	<u>\$ (1.13)</u>	<u>\$ (2.44)</u>	<u>\$ (2.16) (3)</u>

(1) To reflect a non-cash charge to operating expense for general and administrative stock-based compensation.

(2) To reflect a non-cash charge to operating expense for research and development stock-based compensation.

(3) Non-GAAP adjusted net loss per share was calculated based on weighted average common shares outstanding of 32,493,092 and 32,485,750 for the three and six months ended June 30, 2016, and 32,158,108 and 31,874,346 for the three and six months ended June 30, 2015, respectively.

Off-Balance Sheet Arrangements

We do not have any “off-balance sheet agreements,” as defined by SEC regulations.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investing activities is to preserve principal while maximizing the income we receive from our investments without significantly increasing the risk of loss. Some of the investable securities permitted under our cash management policy may be subject to market risk for changes in interest rates. To mitigate this risk, we maintain a portfolio of cash equivalents and available-for-sale investments in a variety of securities, which may include investment grade commercial paper, money market funds, government debt issued by the United States of America, state debt, certificates of deposit and investment grade corporate debt. Presently, we are exposed to minimal market risks associated with interest rate changes because of the relatively short maturities of our investments and we do not expect interest rate fluctuations to materially affect the aggregate value of our financial instruments. We manage our sensitivity to these risks by maintaining investment grade short-term investments. We do not purchase or hold derivative or commodity instruments or other financial instruments for trading purposes. Additionally, we periodically monitor our investments for adverse material holdings related to the underlying financial solvency of the issuer. As of June 30, 2016, our investments consisted primarily of corporate obligations. Our results of operations and financial condition would not be significantly impacted by either a 10% increase or 10% decrease in interest rates due mainly to the short-term nature of our investment portfolio. We have not used derivative financial instruments in our investment portfolio. Additionally, we do not invest in foreign currencies or other foreign investments.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the timelines specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (the Company’s principal executive officer) and Senior Vice President, Finance and Administration and Treasurer (the Company’s

principal financial and accounting officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Senior Vice President, Finance and Administration and Treasurer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined under Exchange Act Rule 13a-15(e)), as of June 30, 2016. Based on that evaluation, our Chief Executive Officer and Senior Vice President, Finance and Administration and Treasurer have concluded that these disclosure controls and procedures were effective as of June 30, 2016.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Hsu v. Puma Biotechnology, Inc., et. al.

On June 3, 2015, Hsingching Hsu, individually and on behalf of all others similarly situated, filed a class action lawsuit against us and certain of our executive officers in the United States District Court for the Central District of California (Case No. 8:15-cv-00865-AG-JCG). On October 16, 2015, lead Plaintiff Norfolk Pension Fund filed an amended complaint on behalf of all persons who purchased our securities between July 22, 2014 and May 29, 2015. The amended complaint alleges that we and certain of our executive officers made false and/or misleading statements and failed to disclose material adverse facts about our business, operations, prospects and performance in violation of Sections 10(b) (and Rule 10b-5 promulgated thereunder) and 20(a) of the Exchange Act. The plaintiff seeks damages, interest, costs, attorneys' fees, and other unspecified equitable relief. On November 30, 2015, we filed a motion to dismiss the amended complaint. The plaintiff opposed this motion, and the court heard oral argument on March 14, 2016. We intend to vigorously defend this matter.

Eshelman v. Puma Biotechnology, Inc., et. al.

On February 2, 2016, Fredric N. Eshelman filed a lawsuit against our Chief Executive Officer and President, Alan H. Auerbach, and us in the United States District Court for the Eastern District of North Carolina (Case No. 7:16-cv-00018-D). The complaint generally alleges that Mr. Auerbach and we made defamatory statements regarding Dr. Eshelman in connection with a proxy contest. Dr. Eshelman seeks compensatory and punitive damages and expenses and costs, including attorneys' fees. On April 4, 2016, the defendants filed a motion to dismiss the complaint. On May 2, 2016, Dr. Eshelman filed a notice of voluntary dismissal of the claims against Mr. Auerbach. We intend to vigorously defend this matter.

Derivative Actions

On April 12 and April 14, 2016, alleged shareholders filed two derivative lawsuits purportedly on behalf of the Company against certain of our officers and directors in the Superior Court of the State of California, Los Angeles, captioned Xing Xie v. Alan H. Auerbach, et al., No. BC616617, and Kevin McKenney v. Auerbach, et al., No. BC617059. The complaints assert claims for breach of fiduciary duty, unjust enrichment, abuse of control, mismanagement and waste of corporate assets arising from substantially similar allegations as those contained in the putative securities class action described above. The complaints seek an unspecified sum of damages and equitable relief. We intend to vigorously defend these matters.

The pending proceedings described in this section involve complex questions of fact and law and will require the expenditure of significant funds and the diversion of other resources to defend. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Item 1A. RISK FACTORS

Under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on February 29, 2016, we identified important factors that could affect our financial performance and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Form 10-Q. There has been no material change in our risk factors subsequent to the filing of our Annual Report. However, the risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties that we currently deem to be immaterial or not currently known to us, as well as other risks reported from time to time in our reports to the SEC, also could cause our actual results to differ materially from our anticipated results or other expectations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

We did not sell any of our equity securities without registration under the Securities Act of 1933, as amended, during the quarter ended June 30, 2016.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Neither we nor any "affiliated purchasers" within the definition of Rule 10b-18(a)(3) made any purchases of our equity securities during the quarter ended June 30, 2016.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on June 14, 2016 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 15, 2016 and incorporated herein by reference)
3.2	Amended and Restated Bylaws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 16, 2016 and incorporated herein by reference)
10.1+	Letter Agreement, dated April 15, 2016, between the Company and Richard B. Phillips
10.2+	Letter Agreement, dated May 24, 2016, between the Company and Robert Charnas
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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 Linkbase Document
+	Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PUMA BIOTECHNOLOGY, INC.

Date: August 9, 2016

By: /s/ Alan H. Auerbach
Alan H. Auerbach
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2016

By: /s/ Charles R. Eyler
Charles R. Eyler
Senior Vice President, Finance and Administration and Treasurer
(Principal Financial and Accounting Officer)



April 15, 2016

Richard B. Phillips, Ph.D.

Re: EMPLOYMENT OFFER LETTER

Dear Richard:

Puma Biotechnology, Inc., a Delaware corporation (the “ **Company** ”) is pleased to offer you the part-time, exempt position of **Interim Head of Regulatory Affairs, Quality Assurance and Pharmacovigilance** of the Company, with terms as noted below. Please confirm your acceptance of this offer by signing and returning a copy of this letter:

1. **EFFECTIVE DATE, POSITION, DUTIES AND RESPONSIBILITIES** . The terms will become effective as of the date you execute and deliver a copy of this letter to the Company as indicated on the signature page hereto (the “ **Effective Date** ”). As of the Effective Date, the Company will employ you as its **Interim Head of Regulatory Affairs, Quality Assurance and Pharmacovigilance** . In such capacity, you will have such duties and responsibilities as are normally associated with regulatory affairs, quality assurance and pharmacovigilance; provided, however, it is understood that you will only be required to be in the Los Angeles office between 3-4 days per week. Your duties may be changed from time to time by the Company in its discretion. You will report to the **Chief Executive Officer** or such other individual as the Company may designate, and will work at the Company’s offices located in **Los Angeles , California** , or such other location as the Company may designate, except for travel to other locations as may be necessary to fulfill your responsibilities. Although your initial title and duties are described above, the Company may assign you additional or different duties and/or titles from time-to-time.

2. **BASE COMPENSATION** . During your employment with the Company, the Company will pay you a base salary of **\$13,781** per month (the “ **Base Salary** ”), less payroll deductions and all required withholdings, payable in installments in accordance with the Company’s normal payroll practices (but in no event less often than monthly) and prorated for any partial pay period of employment. Your Base Salary may be subject to adjustment pursuant to the Company’s policies as in effect from time to time.

3. **STOCK OPTION** . In connection with entering into this offer letter, following the commencement of your employment with the Company and provided that you are employed by the Company on the date of grant, the Company will grant you an option to purchase 25,000 shares of the Company’s common stock (the “ **Stock Option** ”) at a per share exercise price equal

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424.248.6500 Phone 424.248.6501 Fax

to the Fair Market Value of a share of the Company's common stock on the date of grant (as determined in accordance with the Company's 2011 Incentive Award Plan, as amended from time to time (the "**Plan**")). Subject to your continued employment with the Company through the applicable vesting date, 100% of the shares underlying the Stock Option will vest on the earlier of (i) the one-year anniversary of the Effective Date and (i i) the date on which a new full time Head of Regulatory Affairs commences employment with the Company . In addition, as set forth in Section 13.2(d)(ii) of the Plan, if the Stock Option is not assumed or substituted in connection with a Change in Control (as defined in the Plan), the Stock Option will become fully vested and exercisable immediately prior to the consummation of such Change in Control, subject to your continued employment with the Company until immediately prior to such Change in Control. Subject to the foregoing, the terms and conditions of the Stock Option will be set forth in a separate award agreement in such form as is prescribed by the Company, to be entered into by the Company and you.

4. **CONFIDENTIAL AND PROPRIETARY INFORMATION** . This offer of employment is contingent upon your execution of the Proprietary Information and Inventions Agreement, attached hereto as Exhibit A.

5. **NON-SOLICITATION** . You further agree that during the term of such employment and for one (1) year after your employment is terminated, you will not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, customer, vendor, or other parties doing business with the Company to terminate their employment, agency, or other relationship with the Company or to render services for or transfer their business from the Company and you will not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

6. **AT-WILL EMPLOYMENT; AMENDMENT** . Your employment with the Company is "at-will," and either you or the Company may terminate your employment for any reason whatsoever (or for no reason) upon written notice of such termination to the other party. This at-will employment relationship cannot be changed except in a writing signed by you and an authorized representative of the Company. This agreement may not be amended except by a signed writing executed by the parties hereto.

7. **COMPANY RULES AND REGULATIONS** . As an employee of the Company, you agree to abide by all Company rules, regulations and policies as set forth in the Company's employee handbook or as otherwise promulgated.

8. **WITHHOLDING** . The Company may withhold from any amounts payable under this offer letter such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

9. **ENTIRE AGREEMENT** . As of the Effective Date, this offer letter, together with the Stock Option Agreement and Proprietary Information and Inventions Agreement, comprises the final, complete and exclusive agreement between you and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, made to you by any representative of the Company. You agree that any such agreement, offer or promise between you and any representative of the

Company is hereby terminated and will be of no further force or effect, and you acknowledge and agree that upon your execution of this offer letter, you will have no right or interest in or with respect to any such agreement, offer or promise.

10. **CHOICE OF LAW** . This offer letter shall be interpreted and construed in accordance with California law without regard to any conflicts of laws principles.

11. **PROOF OF RIGHT TO WORK** . As required by law, this offer of employment is subject to satisfactory proof of your right to work in the United States.

[*SIGNATURE PAGE FOLLOWS*]

Please confirm your agreement to the foregoing by signing and dating the enclosed duplicate original of this offer letter in the space provided below for your signature and returning it to the Company's President and Chief Executive Officer. Please retain one fully-executed original for your files.

Sincerely,

Puma Biotechnology, Inc.
a Delaware corporation

/s/ Alan H. Auerbach

Name: Alan H. Auerbach

Title: President and Chief Executive Officer

Accepted and Agreed,
this 15 day of April, 2016

By: /s/ Richard B. Phillips

Name: Richard B. Phillips

EXHIBIT A
PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

PUMA BIOTECHNOLOGY, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of my employment by Puma Biotechnology, Inc. (the “Company”) (the definition of “Company” for the purposes of this Agreement shall include Puma Biotechnology, Inc., its affiliates, and subsidiaries) and access to Proprietary Information (defined below) being given to me by the Company, I hereby agree to this Proprietary Information and Inventions Agreement as of **April __, 2016** (the “Agreement”), as follows:

1. Proprietary Information.

The term “Proprietary Information” shall mean all information received by me in the course of my employment by the Company, including without limitation all trade secrets, inventions, confidential knowledge, data or any other information or materials that the Company treats or considers as proprietary, whether or not such Proprietary Information is patentable or copyrightable, however it is embodied and irrespective of whether it is labeled as “proprietary” or “confidential”. By way of illustration but not limitation, “Proprietary Information” includes (a) inventions, trade secrets, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, trademarks and works of authorship; organisms, plasmids, cosmids, bacteriophages, expression vectors, cells, cell lines, tissues, materials, substrates, media, delivery methods or transfection methods and other biological materials and the progeny and clones of the foregoing biological materials, assays, compounds, peptides, proteins, DNA, RNA, and their constructs, and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing (hereinafter the Proprietary Information described in clause (a) shall collectively be referred to as “Inventions”); (b) information regarding the Company’s plans for research, regulatory, development, manufacturing, engineering, marketing and selling efforts, the Company’s business plans and plans for new products, budgets and unpublished financial statements, licenses, contractual arrangements, prices and costs, suppliers, distributors and customers; and information regarding the skills, background and compensation of other employees of the Company and (c) all Third Party Information (as defined in Section 3).

2. Recognition of Company’s Rights; Nondisclosure.

I acknowledge that as a result of my responsibilities at the Company, I am likely to be exposed and given access to the Proprietary Information of the Company. I understand and agree that my access to the Proprietary Information is for the sole and exclusive purpose of producing technology and performing other work for the benefit of the Company and that the Company has a substantial ongoing investment in the development and acquisition of such Proprietary Information, which investment would be irreparably and adversely affected if this Agreement were breached. At all times during the term of my employment and thereafter, I will hold the Company’s Proprietary Information in the strictest confidence and will not, except with the written permission of the Chief Executive Officer of the Company, disclose (which term throughout this Agreement includes, but is not limited to, lecturing upon or publishing) any such Proprietary Information to anyone other than Company personnel who need to know such information in connection with their work for the Company or use such Proprietary Information except in connection with any work for the Company.

I further acknowledge that Proprietary Information is solely the property of the Company and I agree that at no time either during the period of my employment nor thereafter will I challenge or engage in any other acts which question or impugn the validity or ownership of the Company's rights in any Proprietary Information. I further acknowledge that any and all improvements or modifications to Proprietary Information that I generate, make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, either during or after the period of my employment with the Company shall constitute Proprietary Information.

3. Third Party Information .

I understand that the Company has received and in the future will receive from third parties confidential or proprietary information (“Third Party Information”) that is subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will treat all Third Party Information as Proprietary Information for purposes of this Agreement.

4. Assignment of Inventions .

(a) Except as provided below in Section 4(b) of this Agreement, I hereby assign to the Company all my right, title and interest in and to any and all Inventions, whether or not patentable or registrable under copyright or similar statutes, that I make, conceive or reduce to practice, reduce to specific form or learn, either alone or jointly with others, in the course of my employment by the Company, whether developed in whole or in part using the Company's equipment, supplies, facilities, trade secret information or Proprietary Information; or relating at the time of conception or reduction to practice to the Company's business, or actual or demonstrably anticipated research or development of the Company; or resulting from any work performed by me for the Company (collectively, the “Employment Inventions”). I recognize that this Agreement does not require assignment of any invention which qualifies fully for protection under Section 2870 of the California Labor Code (hereinafter “Section 2870”), which provides as follows:

(i) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information, except for those inventions that either:

(1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) result from any work performed by the employee for the employer.

(ii) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of California and is unenforceable.

(b) I have set forth on Exhibit A attached hereto, a complete list of all restrictions, express or implied, which would prevent me from complying with all of the requirements of Section 4(a) of this Agreement in whole or in part. If full disclosure of such restrictions, express or implied, in Exhibit A would cause me to violate any prior confidentiality agreement, I understand that I am

to describe such restrictions in Exhibit A at the most specific level possible without violating any such restrictions. Exhibit A is incorporated into this Agreement by reference as if fully set forth herein. I will promptly inform the Company in writing of any such restrictions that arise between the time I sign this Agreement and the time my employment with the Company commences.

(c) I also assign to or assign as directed by the Company all my right, title and interest in and to all Employment Inventions, full title to which is required to be in the United States by a contract between the Company and the United States or any of its agencies.

(d) I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “works made for hire,” as that term is defined in the United States Copyright Act (17 U.S.C., Section 101).

5. Enforcement of Proprietary Rights.

To assist the Company in exercising its ownership rights to all Proprietary Information or Employment Inventions that I generate, make, conceive, reduce to practice or to specific form, alter or modify, I will, if requested by the Company, execute, verify and deliver assignments of all rights in the United States and elsewhere, including but not limited to patent and copyright rights, in such Proprietary Information or Employment Inventions to the Company or its designees. I will also assist the Company in every proper way to obtain and from time to time enforce its United States and foreign rights relating to Proprietary Information or Employment Inventions in any and all countries, irrespective of whether I had any role in the development or modification of such Proprietary Information or Employment Inventions. To that end, I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such proprietary rights and the assignment thereof to the Company. My obligation to assist the Company with respect to all its rights in Proprietary Information or Employment Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after good faith and all reasonable effort, to secure my signature on any document needed in connection with the actions specified in this Section 5, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph thereon with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any proprietary rights assigned hereunder to the Company.

6. Obligation to Keep Company Informed.

I will promptly disclose to the Company fully and in writing and will hold in trust for the sole right and benefit of the Company any and all Employment Inventions that I make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, during or after the period of my employment with the Company. In addition, after any termination of my employment, I will promptly disclose to the

Company fully and in writing, the full particulars of all patent applications filed by me which disclose or claim Proprietary Information or Employment Inventions.

I will also promptly disclose to the Company fully and in writing any inventions containing or disclosing Proprietary Information that I believe fully qualify for protection under Section 2870; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. I understand that the Company will keep in confidence and will not disclose to third parties without my consent any proprietary information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under the provisions of Section 2870. I will preserve the confidentiality of any Employment Invention that does not fully qualify for protection under Section 2870.

7. Prior Inventions

The term “Prior Inventions” shall mean any and all inventions, trade secrets, know-how, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, trademarks and works of authorship; organisms, plasmids, cosmids, bacteriophages, expression vectors, cells, cell lines, tissues, materials, substrates, media, delivery methods or transfection methods and other biological materials and the progeny and clones of the foregoing biological materials, assays, compounds, peptides, proteins, DNA, RNA, and their constructs, and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing, which I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company. To preclude any possible uncertainty over what is a Prior Invention, I have set forth on Exhibit B attached hereto a complete list of all Prior Inventions that I consider to be in whole or part my property or the property of third parties, and that I wish to have excluded from the scope of this Agreement. If full disclosure of any such Prior Invention on Exhibit B would cause me to violate any prior confidentiality agreement, I understand that I am to describe such Prior Inventions in Exhibit B at the most specific level possible without violating any such prior confidentiality agreements. Exhibit B is incorporated into this Agreement as if fully set forth herein. I will promptly inform the Company in writing of any Prior Inventions that occur between the time I sign this Agreement and the time my employment with the Company commences.

8. Unauthorized Use or Disclosure

I shall immediately notify my supervisor or any officer of the Company if I learn of any possible unauthorized use or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce the provisions of this Agreement.

9. Authorized Disclosure

Should I be subject to any governmental, administrative or court order or action purporting to require or authorize the disclosure of any Proprietary Information, in whole or in part, I will immediately notify the Company's legal department and will immediately provide the Company with all documents and other pertinent information in my possession or control to permit the Company to take such steps as it deems necessary in its sole discretion to block or pursue the confidentiality of such disclosure.

10. Additional Activities

I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or business activity other than for the Company, except as may be provided in any written agreement between

me and an authorized officer of the Company with the Company executed as of the same date, and for the period of my employment by the Company and for one (1) year after the date of termination of my employment by the Company, I will not use any Proprietary Information in order to (i) induce any employee of the Company to leave the employ of the Company or (ii) solicit the business of any client or customer of the Company (other than on behalf of the Company) with whom I had contact during the course of my employment with the Company.

11. No Improper Use of Materials

I acknowledge that the Company forbids me to use or disclose any information that is proprietary to any competitor of the Company or to any other third party. Therefore, during my employment by the Company, I will not use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. To preclude any possible uncertainty, I have set forth on Exhibit C attached hereto, a complete list of all devices, materials, and documents of a former employer or other person or institution to whom I have an obligation of confidentiality that may be used in providing services to the Company pursuant to the express written authorization of my former employer or such other person. I will promptly notify the Company in writing of any devices, materials, and documents that are required to be set forth in Exhibit C that arise between the time I sign this Agreement and the time my employment with the Company commences. Exhibit C is incorporated into this Agreement by reference as if fully set forth herein. In addition, I will not seek nor knowingly use any information from job applicants, Company employees or other third parties, including but not limited to vendors, that is confidential to the present or former employers of such applicants or former employers of the employees or to such third parties.

12. No Conflicting Obligation

I represent that my performance of all the terms of this Agreement and my position as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

13. Return of Company Materials

When I leave the employ of the Company, I will deliver to the Company any and all copies and originals of drawings, notes, memoranda, lab notebooks, specifications, correspondence (including email and quickmail messages), devices, equipment, formulas, documents, molecules, cells, organisms, plasmids, cosmids, bacteriophages, expression vectors, cell lines, peptides, proteins, DNA, RNA, and their constructs and other biological materials, and the progeny and clones of the foregoing biological materials and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing, and any other material containing or disclosing any Inventions, Employment Inventions or Proprietary Information. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, quickmail, email, voicemail, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will reasonably cooperate with the Company in completing and signing the Company's documentation for separating staff members.

14. **Name and License**.

I hereby grant to the Company a non-exclusive worldwide license to use my name and likeness on or in connection with any advertising and promotional materials distributed by or on behalf of the Company in any medium while serving as an employee or director of the Company or thereafter, if such materials describe my prior role as employee or director of the Company.

15. **Potential Liability**.

I have been informed and acknowledge that the unauthorized taking of the Company's trade secrets (a) could result in civil liability under California Civil Code Section 3426, and that, if willful, could result in an award for triple the amount of the Company's damages and attorneys' fees; and (b) is a crime under California Penal Code Section 499c(c), punishable by imprisonment for a time not exceeding one year, or by a fine not exceeding five thousand dollars (\$5,000), or by both.

16. **Legal and Equitable Remedies**.

Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, and due to the irreparable injury which would be suffered by the Company as a result of a breach of this Agreement, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

17. **Notices**.

Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

18. **Employment at Will**.

I understand and agree that my employment with the Company is at-will. Therefore, my employment can terminate, with or without cause, and with or without notice, at any time, at my option or the Company's option, and that the Company can terminate or change all other terms and conditions of my employment, with or without cause, and with or without notice, at any time. I understand that the nature of my employment relationship with the Company will be governed by this Section 18 and that this Section 18 constitutes the entire agreement, arrangement and understanding between me and the Company on this subject matter and supersedes any prior or contemporaneous agreement, arrangement, and understanding on this subject matter. This at-will relationship will remain in effect throughout my employment with the Company or any of its subsidiaries or affiliates, unless it is modified by a written agreement signed by both the Company's President and me which expressly alters it. This at-will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns or conduct.

19. **General Provisions**.

(a) **Governing Law and Forum**.

This Agreement will be governed by and construed according to the substantive laws of the State of California without resort to conflict of law principles and I hereby consent to the jurisdiction of the courts of California, both state and federal, for any claim sounding in tort or contract or created by state or federal law related in any way to my or the Company's rights and obligations under the Agreement.

(b) **Entire Agreement** .

This Agreement, including all exhibits hereto, is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement. As used in this Agreement, the period of my employment includes any time during which I may be retained by the Company as a consultant.

(c) **Severability** .

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(d) **Assignment** .

This Agreement may not be assigned by me but is fully assignable by the Company.

(e) **Successors and Assigns** .

This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

(f) **Survival** .

The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

(g) **Waiver** .

No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

(h) **Effective Date** .

Agreement shall be effective as of the earliest of (1) the first day of my employment by the Company; or (2) the first day of my use of the facilities, technology, expertise, data or Proprietary Information of the Company; or (3) the day I sign this Agreement.

(i) **Descriptive Headings** .

The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

[*Signature Page Follows*]

I UNDERSTAND THAT THIS AGREEMENT AFFECTS MY RIGHTS TO INVENTIONS I MIGHT HAVE MADE DURING MY PAST EMPLOYMENT, AND MAKE DURING MY EMPLOYMENT, AND RESTRICTS MY RIGHT TO DISCLOSE OR USE THE COMPANY'S PROPRIETARY INFORMATION DURING OR SUBSEQUENT TO MY EMPLOYMENT.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT AND SIGNED EXHIBITS A, B, AND C TO THIS AGREEMENT AS APPROPRIATE.

IN WITNESS WHEREOF , the parties have duly executed this Agreement as of the day and year first set forth above.

COMPANY :
PUMA BIOTECHNOLOGY, INC.
a Delaware corporation

By:

Name: Alan Auerbach
Title: *CEO and President*

Name: Richard B. Phillips, Ph.D.

Address:

10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Address:

EXHIBIT A

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

The following is a complete list of all restrictions which would prevent me, in whole or in part, from assigning to or as directed by the Company (as defined in the attached Agreement) all my right, title and interest in and to any and all Employment Inventions (as required by Section 4 of the Agreement):

_____ No restrictions.

_____ Restrictions:

_____ Number of additional sheets attached.

Date: _____

Very truly yours,

Richard B. Phillips, Ph.D.

EXHIBIT B

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

The following is a complete list of all Prior Inventions (as defined in the attached Agreement):

_____ No Prior Inventions

_____ Prior Inventions:

_____ Number of additional sheets attached.

Date: _____

Very truly yours,

Richard B. Phillips, Ph.D.

EXHIBIT C

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

I propose to bring or have already brought to my employment with the Company (as defined in the attached Agreement) the following devices, materials and documents of my former employer(s) or other person(s) or institution(s) to whom I have an obligation of confidentiality that are not generally available to the public, which materials and documents may be used in providing services to the Company pursuant to the express written authorization of my former employer(s) or such other person(s) or institution(s) (copies of all such authorizations are attached hereto):

_____ No materials.

_____ Materials:

_____ Number of additional sheets attached.

_____ Number of pages of authorizations attached.

Date: _____

Very truly yours,

Richard B. Phillips, Ph.D.



May 24, 2016

Robert Charnas, Ph.D.

Re: EMPLOYMENT OFFER LETTER

Dear Bob:

Puma Biotechnology, Inc., a Delaware corporation (the “ **Company** ”) is pleased to offer you the full time position of **Senior Vice President of Regulatory Affairs** of the Company, with terms as noted below. Please confirm your acceptance of this offer by signing and returning a copy of this letter on or before **May 30, 2016** :

1. **EFFECTIVE DATE, POSITION, DUTIES AND RESPONSIBILITIES** . The terms will become effective on the date you start your employment (the “ **Effective Date** ”), which shall be no later than **July 1, 2016** . As of the Effective Date, the Company will employ you as its **Senior Vice President of Regulatory Affairs and Project Management** . In such capacity, you will have such duties and responsibilities as are normally associated with such position. Your duties may be changed from time to time by the Company in its discretion. You will report to the **Chief Executive Officer** or such other individual as the Company may designate, and will work at the Company’s offices located in **Los Angeles , California** , or such other location as the Company may designate, except for travel to other locations as may be necessary to fulfill your responsibilities. Although your initial title and duties are described above, the Company may assign you additional or different duties and/or titles from time-to-time.

2. **BASE COMPENSATION** . During your employment with the Company, the Company will pay you a base salary of **\$330,750** per year (the “ **Base Salary** ”), less payroll deductions and all required withholdings, payable in installments in accordance with the Company’s normal payroll practices (but in no event less often than monthly) and prorated for any partial pay period of employment. Your Base Salary may be subject to adjustment pursuant to the Company’s policies as in effect from time to time.

3. **ANNUAL BONUS** . In addition to the Base Salary set forth above, you will be eligible to receive an annual discretionary cash bonus (pro-rated for any partial year of service), based on the attainment of performance metrics and/or individual performance objectives, in each case, established and evaluated by the Company in its sole discretion (the “ **Annual Bonus** ”). Your target Annual Bonus shall be **30%** of your Base Salary, but the actual amount of your Annual Bonus may be more or less (and may equal zero), depending on the attainment of applicable

10880 Wilshire Blvd. Suite 2150 Los Angeles, CA 90024
424.248.6500 Phone 424.248.6501 Fax

performance criteria. Payment of any Annual Bonus(es), to the extent any Annual Bonus(es) become payable, will be contingent upon your continued employment through the applicable payment date.

4. **STOCK OPTION** . In connection with entering into this offer letter, following the commencement of your employment with the Company and provided that you are employed by the Company on the date of grant, the Company will grant you an option to purchase **90,000** shares of the Company's common stock (the "**Stock Option**") at a per share exercise price equal to the Fair Market Value of a share of the Company's common stock on the date of grant (as determined in accordance with the Company's 2011 Incentive Award Plan, as amended from time to time (the "**Plan**")). Subject to your continued employment with the Company through the applicable vesting date, 1/3rd of the shares underlying the Stock Option will vest on the first anniversary of the Effective Date and 1/36th of the shares underlying the Stock Option will vest on each monthly anniversary of the Effective Date thereafter. In addition, as set forth in Section 13.2(d)(ii) of the Plan, if the Stock Option is not assumed or substituted in connection with a Change in Control (as defined in the Plan), the Stock Option will become fully vested and exercisable immediately prior to the consummation of such Change in Control, subject to your continued employment with the Company until immediately prior to such Change in Control. Subject to the foregoing, the terms and conditions of the Stock Option will be set forth in a separate award agreement (the "**Stock Option Agreement**") in such form as is prescribed by the Company, to be entered into by the Company and you.

5. **SIGNING BONUS**. In connection with entering into this offer letter, you will be eligible to receive a bonus in the aggregate amount of \$378,058.68 (the "**Signing Bonus**"), which will be paid in substantially equal one-twelfth installments on each quarterly anniversary of the Effective Date (with the last tranche being paid on the third annual anniversary of the Effective Date), subject to your continued employment through the applicable payment date.

6. **BENEFITS AND VACATION** . You will be eligible to participate in all health, welfare, savings and retirement plans, practices, policies and programs maintained or sponsored by the Company from time to time for the benefit of its similarly situated employees, subject to the terms and conditions thereof. To the extent that you properly elect to participate in the Company's applicable medical, dental and/or prescription benefit plans, the Company will pay the premiums for you and your dependents under such plans while you remain employed by the Company, *provided, however*, that the Company shall have no obligation to pay any such premiums if doing so would result in a violation of law and/or the imposition of penalty or excise taxes on the Company. In addition, you will be eligible for other standard benefits, such as sick leave, vacations and holidays, in each case, to the extent available under, and in accordance with, Company policy applicable generally to other similarly situated employees of the Company. Notwithstanding the foregoing, nothing contained in this Section 6 shall, or shall be construed so as to, obligate the Company or its affiliates to adopt, sponsor, maintain or continue any benefit plans or programs at any time.

7. **CONFIDENTIAL AND PROPRIETARY INFORMATION** . This offer of employment is contingent upon your execution of the Proprietary Information and Inventions Agreement, attached hereto as Exhibit A.

8. **NON-SOLICITATION** . You further agree that during the term of such employment and for one year after your employment is terminated, you will not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, customer, vendor, or other parties doing business with the Company to terminate their employment, agency, or other relationship with the Company or to render services for or transfer their business from the Company and you will not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

9. **AT-WILL EMPLOYMENT; AMENDMENT** . Your employment with the Company is “at-will,” and either you or the Company may terminate your employment for any reason whatsoever (or for no reason) upon written notice of such termination to the other party. This at-will employment relationship cannot be changed except in a writing signed by you and an authorized representative of the Company. This agreement may not be amended except by a signed writing executed by the parties hereto.

10. **COMPANY RULES AND REGULATIONS** . As an employee of the Company, you agree to abide by all Company rules, regulations and policies as set forth in the Company’s employee handbook or as otherwise promulgated.

11. **WITHHOLDING** . The Company may withhold from any amounts payable under this offer letter such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

12. **ENTIRE AGREEMENT** . As of the Effective Date, this offer letter, together with the Stock Option Agreement and Proprietary Information and Inventions Agreement, comprises the final, complete and exclusive agreement between you and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, made to you by any representative of the Company. You agree that any such agreement, offer or promise between you and any representative of the Company is hereby terminated and will be of no further force or effect, and you acknowledge and agree that upon your execution of this offer letter, you will have no right or interest in or with respect to any such agreement, offer or promise.

13. **CHOICE OF LAW** . This offer letter shall be interpreted and construed in accordance with California law without regard to any conflicts of laws principles.

14. **PROOF OF RIGHT TO WORK** . As required by law, this offer of employment is subject to satisfactory proof of your right to work in the United States.

15. **BACKGROUND CHECK AND DRUG SCREENING** . This offer of employment is expressly contingent upon your completion of a pre-employment background check conducted by an outside service bureau and a drug screening test, in each case with results that are satisfactory to the Company in its sole discretion. Refusal to submit to the background check or drug screening test will result in your disqualification from further employment consideration. In addition, failure to successfully complete the background check or drug screening test will cause this offer of employment to be withdrawn, or your employment to be terminated if you already have started work.

[*SIGNATURE PAGE FOLLOWS*]

Please confirm your agreement to the foregoing by signing and dating the enclosed duplicate original of this offer letter in the space provided below for your signature and returning it to the Company's President and Chief Executive Officer. Please retain one fully-executed original for your files.

Sincerely,

Puma Biotechnology, Inc.
a Delaware corporation

/s/ Alan H. Auerbach

Name: Alan H. Auerbach

Title: President and Chief Executive Officer

Accepted and Agreed,
this 25th day of May, 2016

By: /s/ Robert Charnas, PhD.

Name: Robert Charnas, Ph.D.

EXHIBIT A
PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

PUMA BIOTECHNOLOGY, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of my employment by Puma Biotechnology, Inc. (the “Company”) (the definition of “Company” for the purposes of this Agreement shall include Puma Biotechnology, Inc., its affiliates, and subsidiaries) and access to Proprietary Information (defined below) being given to me by the Company, I hereby agree to this Proprietary Information and Inventions Agreement as of **July 1, 2016** (the “Agreement”), as follows:

1. Proprietary Information.

The term “Proprietary Information” shall mean all information received by me in the course of my employment by the Company, including without limitation all trade secrets, inventions, confidential knowledge, data or any other information or materials that the Company treats or considers as proprietary, whether or not such Proprietary Information is patentable or copyrightable, however it is embodied and irrespective of whether it is labeled as “proprietary” or “confidential”. By way of illustration but not limitation, “Proprietary Information” includes (a) inventions, trade secrets, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, trademarks and works of authorship; organisms, plasmids, cosmids, bacteriophages, expression vectors, cells, cell lines, tissues, materials, substrates, media, delivery methods or transfection methods and other biological materials and the progeny and clones of the foregoing biological materials, assays, compounds, peptides, proteins, DNA, RNA, and their constructs, and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing (hereinafter the Proprietary Information described in clause (a) shall collectively be referred to as “Inventions”); (b) information regarding the Company’s plans for research, regulatory, development, manufacturing, engineering, marketing and selling efforts, the Company’s business plans and plans for new products, budgets and unpublished financial statements, licenses, contractual arrangements, prices and costs, suppliers, distributors and customers; and information regarding the skills, background and compensation of other employees of the Company and (c) all Third Party Information (as defined in Section 3).

2. Recognition of Company’s Rights; Nondisclosure.

I acknowledge that as a result of my responsibilities at the Company, I am likely to be exposed and given access to the Proprietary Information of the Company. I understand and agree that my access to the Proprietary Information is for the sole and exclusive purpose of producing technology and performing other work for the benefit of the Company and that the Company has a substantial ongoing investment in the development and acquisition of such Proprietary Information, which investment would be irreparably and adversely affected if this Agreement were breached. At all times during the term of my employment and thereafter, I will hold the Company’s Proprietary Information in the strictest confidence and will not, except with the written permission of the Chief Executive Officer of the Company, disclose (which term throughout this Agreement includes, but is not limited to, lecturing upon or publishing) any such Proprietary Information to anyone other than Company personnel who need to know such information in connection with their work for the Company or use such Proprietary Information except in connection with any work for the Company.

I further acknowledge that Proprietary Information is solely the property of the Company and I agree that at no time either during the period of my employment nor thereafter will I challenge or engage in any other acts which question or impugn the validity or ownership of the Company's rights in any Proprietary Information . I further acknowledge that any and all improvements or modifications to Proprietary Information that I generate, make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, either during or after the period of my employment with the Company shall constitute Proprietary Information.

3. **Third Party Information** .

I understand that the Company has received and in the future will receive from third parties confidential or proprietary information (“ Third Party Information ”) that is subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will treat all Third Party Information as Proprietary Information for purposes of this Agreement.

4. **Assignment of Inventions** .

(a) Except as provided below in Section 4(b) of this Agreement, I hereby assign to the Company all my right, title and interest in and to any and all Inventions, whether or not patentable or registrable under copyright or similar statutes, that I make, conceive or reduce to practice, reduce to specific form or learn, either alone or jointly with others, in the course of my employment by the Company, whether developed in whole or in part using the Company's equipment, supplies, facilities, trade secret information or Proprietary Information; or relating at the time of conception or reduction to practice to the Company's business, or actual or demonstrably anticipated research or development of the Company; or resulting from any work performed by me for the Company (collectively, the “ Employment Inventions ”). I recognize that this Agreement does not require assignment of any invention which qualifies fully for protection under Section 2870 of the California Labor Code (hereinafter “ Section 2870 ”), which provides as follows:

(i) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information, except for those inventions that either:

(1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) result from any work performed by the employee for the employer.

(ii) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of California and is unenforceable.

(b) I have set forth on Exhibit A attached hereto, a complete list of all restrictions, express or implied, which would prevent me from complying with all of the requirements of Section 4(a) of this Agreement in whole or in part . If full disclosure of such restrictions, express or implied, in Exhibit A would cause me to violate any prior confidentiality agreement, I understand that I am to describe such restrictions in Exhibit A at the most specific level possible without violating any such restrictions. Exhibit A is incorporated into this Agreement by reference as if fully set forth herein . I will promptly inform the Company in writing of any such restrictions that arise between the time I sign this Agreement and the time my employment with the Company commences.

(c) I also assign to or assign as directed by the Company all my right, title and interest in and to all Employment Inventions, full title to which is required to be in the United States by a contract between the Company and the United States or any of its agencies.

(d) I acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of my employment and which are protectable by copyright are “ works made for hire,” as that term is defined in the United States Copyright Act (17 U.S.C., Section 101).

5. Enforcement of Proprietary Rights .

To assist the Company in exercising its ownership rights to all Proprietary Information or Employment Inventions that I generate, make, conceive, reduce to practice or to specific form, alter or modify, I will, if requested by the Company, execute, verify and deliver assignments of all rights in the United States and elsewhere, including but not limited to patent and copyright rights, in such Proprietary Information or Employment Inventions to the Company or its designees. I will also assist the Company in every proper way to obtain and from time to time enforce its United States and foreign rights relating to Proprietary Information or Employment Inventions in any and all countries, irrespective of whether I had any role in the development or modification of such Proprietary Information or Employment Inventions. To that end, I will execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining and enforcing such proprietary rights and the assignment thereof to the Company. My obligation to assist the Company with respect to all its rights in Proprietary Information or Employment Inventions in any and all countries shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate after my termination for the time actually spent by me at the Company’s request on such assistance.

In the event the Company is unable for any reason, after good faith and all reasonable effort, to secure my signature on any document needed in connection with the actions specified in this Section 5, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, which appointment is coupled with an interest, to act for and in my behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph thereon with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have for infringement of any proprietary rights assigned hereunder to the Company.

6. Obligation to Keep Company Informed.

I will promptly disclose to the Company fully and in writing and will hold in trust for the sole right and benefit of the Company any and all Employment Inventions that I make, conceive, develop or reduce to practice or to specific form, whether alone or in conjunction with others, during or after the period of my employment with the Company. In addition, after any termination of my employment, I will promptly disclose to the Company fully and in writing, the full particulars of all patent applications filed by me which disclose or claim Proprietary Information or Employment Inventions.

I will also promptly disclose to the Company fully and in writing any inventions containing or disclosing Proprietary Information that I believe fully qualify for protection under Section 2870; and I will at that time provide to the Company in writing all evidence necessary to substantiate that belief. I understand that the Company will keep in confidence and will not disclose to third parties without my consent any proprietary information disclosed in writing to the Company pursuant to this Agreement relating to Inventions that qualify fully for protection under the provisions of Section 2870. I will preserve the confidentiality of any Employment Invention that does not fully qualify for protection under Section 2870.

7. Prior Inventions.

The term “ Prior Inventions ” shall mean any and all inventions, trade secrets, know-how, know-how, ideas, confidential knowledge, improvements, discoveries, developments, processes, designs, techniques, formulas, formulations, source and object codes, data, programs, trademarks and works of authorship; organisms, plasmids, cosmids, bacteriophages, expression vectors, cells, cell lines, tissues, materials, substrates, media, delivery methods or transfection methods and other biological materials and the progeny and clones of the foregoing biological materials, assays, compounds, peptides, proteins, DNA, RNA, and their constructs, and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing, which I have, alone or jointly with others, conceived, developed or reduced to practice or caused to be conceived, developed or reduced to practice prior to the commencement of my employment with the Company. To preclude any possible uncertainty over what is a Prior Invention, I have set forth on Exhibit B attached hereto a complete list of all Prior Inventions that I consider to be in whole or part my property or the property of third parties, and that I wish to have excluded from the scope of this Agreement. If full disclosure of any such Prior Invention on Exhibit B would cause me to violate any prior confidentiality agreement, I understand that I am to describe such Prior Inventions in Exhibit B at the most specific level possible without violating any such prior confidentiality agreements. Exhibit B is incorporated into this Agreement as if fully set forth herein. I will promptly inform the Company in writing of any Prior Inventions that occur between the time I sign this Agreement and the time my employment with the Company commences.

8. Unauthorized Use or Disclosure.

I shall immediately notify my supervisor or any officer of the Company if I learn of any possible unauthorized use or disclosure of Proprietary Information and shall cooperate fully with the Company to enforce the provisions of this Agreement.

9. Authorized Disclosure.

Should I be subject to any governmental, administrative or court order or action purporting to require or authorize the disclosure of any Proprietary

Information, in whole or in part, I will immediately notify the Company's legal department and will immediately provide the Company with all documents and other pertinent information in my possession or control to permit the Company to take such steps as it deems necessary in its sole discretion to block or pursue the confidentiality of such disclosure.

10. Additional Activities

I agree that during the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or business activity other than for the Company, except as may be provided in any written agreement between me and an authorized officer of the Company with the Company executed as of the same date, and for the period of my employment by the Company and for one (1) year after the date of termination of my employment by the Company, I will not use any Proprietary Information in order to (i) induce any employee of the Company to leave the employ of the Company or (ii) solicit the business of any client or customer of the Company (other than on behalf of the Company) with whom I had contact during the course of my employment with the Company.

11. No Improper Use of Materials

I acknowledge that the Company forbids me to use or disclose any information that is proprietary to any competitor of the Company or to any other third party. Therefore, during my employment by the Company, I will not use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality and I will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom I have an obligation of confidentiality unless consented to in writing by that former employer or person. To preclude any possible uncertainty, I have set forth on Exhibit C attached hereto, a complete list of all devices, materials, and documents of a former employer or other person or institution to whom I have an obligation of confidentiality that may be used in providing services to the Company pursuant to the express written authorization of my former employer or such other person. I will promptly notify the Company in writing of any devices, materials, and documents that are required to be set forth in Exhibit C that arise between the time I sign this Agreement and the time my employment with the Company commences. Exhibit C is incorporated into this Agreement by reference as if fully set forth herein. In addition, I will not seek nor knowingly use any information from job applicants, Company employees or other third parties, including but not limited to vendors, that is confidential to the present or former employers of such applicants or former employers of the employees or to such third parties.

12. No Conflicting Obligation

I represent that my performance of all the terms of this Agreement and my position as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

13. Return of Company Materials

When I leave the employ of the Company, I will deliver to the Company any and all copies and originals of drawings, notes, memoranda, lab notebooks, specifications, correspondence (including email and quickmail messages), devices, equipment, formulas, documents, molecules, cells, organisms, plasmids, cosmids, bacteriophages, expression vectors, cell lines, peptides, proteins, DNA, RNA, and their constructs and other biological materials, and the progeny and clones of the foregoing biological

materials and sequence, amino acid, genomic, and structural information relating thereto; crystals, optically active materials, ceramics, metals, metal oxides and organic and inorganic chemical and other physical materials and derivatives and salt forms of the foregoing, and any other material containing or disclosing any Inventions, Employment Inventions or Proprietary Information. I further agree that any property situated on the Company's premises and owned by the Company, including disks and other storage media, quickmail, email, voicemail, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice. Prior to leaving, I will reasonably cooperate with the Company in completing and signing the Company's documentation for separating staff members.

14. Name and License.

I hereby grant to the Company a non-exclusive worldwide license to use my name and likeness on or in connection with any advertising and promotional materials distributed by or on behalf of the Company in any medium while serving as an employee or director of the Company or thereafter, if such materials describe my prior role as employee or director of the Company.

15. Potential Liability.

I have been informed and acknowledge that the unauthorized taking of the Company's trade secrets (a) could result in civil liability under California Civil Code Section 3426, and that, if willful, could result in an award for triple the amount of the Company's damages and attorneys' fees; and (b) is a crime under California Penal Code Section 499c(c), punishable by imprisonment for a time not exceeding one year, or by a fine not exceeding five thousand dollars (\$5,000), or by both.

16. Legal and Equitable Remedies.

Because my services are personal and unique and because I may have access to and become acquainted with the Proprietary Information of the Company, and due to the irreparable injury which would be suffered by the Company as a result of a breach of this Agreement, the Company shall have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights and remedies that the Company may have for a breach of this Agreement.

17. Notices.

Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or if sent by certified or registered mail, three (3) days after the date of mailing.

18. Employment at Will.

I understand and agree that my employment with the Company is at-will. Therefore, my employment can terminate, with or without cause, and with or without notice, at any time, at my option or the Company's option, and that the Company can terminate or change all other terms and conditions of my employment, with or without cause, and with or without notice, at any time. I understand that the nature of my employment relationship with the Company will be governed by this Section 18 and that this Section 18 constitutes the entire agreement, arrangement and understanding between me and the Company on this subject matter and supersedes any prior or contemporaneous agreement, arrangement, and understanding on this subject matter. This at-will relationship will remain in effect throughout my employment with the Company or any of its subsidiaries or affiliates, unless it is modified by a written agreement signed by both the Company's President and me which expressly alters it. This at-

will relationship may not be modified by any oral or implied agreement, or by any Company policies, practices or patterns or conduct.

19. **General Provisions**.

(a) **Governing Law and Forum**.

This Agreement will be governed by and construed according to the substantive laws of the State of California without resort to conflict of law principles and I hereby consent to the jurisdiction of the courts of California, both state and federal, for any claim sounding in tort or contract or created by state or federal law related in any way to my or the Company's rights and obligations under the Agreement.

(b) **Entire Agreement**.

This Agreement, including all exhibits hereto, is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Agreement. As used in this Agreement, the period of my employment includes any time during which I may be retained by the Company as a consultant.

(c) **Severability**.

Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(d) **Assignment**.

This Agreement may not be assigned by me but is fully assignable by the Company.

(e) **Successors and Assigns**.

This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns.

(f) **Survival**.

The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee.

(g) **Waiver**.

No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

(h) **Effective Date**.

Agreement shall be effective as of the earliest of (1) the first day of my employment by the Company; or (2) the first day of my use of the facilities, technology, expertise, data or Proprietary Information of the Company; or (3) the day I sign this Agreement.

(i) **Descriptive Headings**.

The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

[*Signature Page Follows*]

I UNDERSTAND THAT THIS AGREEMENT AFFECTS MY RIGHTS TO INVENTIONS I MIGHT HAVE MADE DURING MY PAST EMPLOYMENT, AND MAKE DURING MY EMPLOYMENT, AND RESTRICTS MY RIGHT TO DISCLOSE OR USE THE COMPANY'S PROPRIETARY INFORMATION DURING OR SUBSEQUENT TO MY EMPLOYMENT.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS. I HAVE COMPLETELY FILLED OUT AND SIGNED EXHIBITS A, B, AND C TO THIS AGREEMENT AS APPROPRIATE.

IN WITNESS WHEREOF , the parties have duly executed this Agreement as of the day and year first set forth above.

COMPANY :
PUMA BIOTECHNOLOGY, INC.
a Delaware corporation

By:

Name: Alan Auerbach

Title: *CEO and President*

Name: Robert Charnas

Address:

10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Address:

[Signature Page to Puma Biotechnology, Inc. Proprietary Information and Inventions Agreement]

EXHIBIT A

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

The following is a complete list of all restrictions which would prevent me, in whole or in part, from assigning to or as directed by the Company (as defined in the attached Agreement) all my right, title and interest in and to any and all Employment Inventions (as required by Section 4 of the Agreement):

_____ No restrictions.

_____ Restrictions:

_____ Number of additional sheets attached.

Date: _____

Very truly yours,

Robert Charnas, Ph.D.

EXHIBIT B

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

The following is a complete list of all Prior Inventions (as defined in the attached Agreement):

_____ No Prior Inventions

_____ Prior Inventions:

_____ Number of additional sheets attached.

Date: _____

Very truly yours,

Robert Charnas, Ph.D.

EXHIBIT C

Puma Biotechnology, Inc.
10880 Wilshire Blvd, Suite 2150
Los Angeles, CA 90024

Attention: Board of Directors

Directors:

I propose to bring or have already brought to my employment with the Company (as defined in the attached Agreement) the following devices, materials and documents of my former employer(s) or other person(s) or institution(s) to whom I have an obligation of confidentiality that are not generally available to the public, which materials and documents may be used in providing services to the Company pursuant to the express written authorization of my former employer(s) or such other person(s) or institution(s) (copies of all such authorizations are attached hereto):

_____ No materials.

_____ Materials:

_____ Number of additional sheets attached.

_____ Number of pages of authorizations attached.

Date: _____

Very truly yours,

Robert Charnas, Ph.D.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Alan H. Auerbach, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Alan H. Auerbach

Alan H. Auerbach
Principal Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles R. Eyler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016;
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: August 9, 2016

/s/ Charles R. Eyler

Charles R. Eyler

Principal Financial and Accounting Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The following certification is being furnished solely to accompany the Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016, pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be incorporated by reference in any filing of Puma Biotechnology, Inc. under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Executive Officer

I, Alan H. Auerbach, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Puma Biotechnology, Inc.

Date: August 9, 2016

/s/ Alan H. Auerbach

Alan H. Auerbach
Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Puma Biotechnology, Inc. and will be retained by Puma Biotechnology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The following certification is being furnished solely to accompany the Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016, pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be incorporated by reference in any filing of Puma Biotechnology, Inc. under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Financial Officer

I, Charles R. Eyer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Puma Biotechnology, Inc. for the quarter ended June 30, 2016, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Puma Biotechnology, Inc.

Date: August 9, 2016

/s/ Charles R. Eyer

Charles R. Eyer

Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Puma Biotechnology, Inc. and will be retained by Puma Biotechnology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.