Innate Immunotherapeutics

ANNUAL REPORT 2015

Innate Immunotherapeutics Limited has designed and manufactured a unique immunomodulator microparticle technology.

This technology can be used to induce the human immune system to fight certain cancers and infections, or modulate certain immune mechanisms implicated in autoimmune diseases such as Multiple Sclerosis. The same technology can be used in the design of better vaccines to potentially treat or prevent diseases such as influenza, cancer, malaria, or tuberculosis.

Contents

AGM

NOTICE is given that the Annual General Meeting of the Company will be held at Grant Thornton, Seagrass Room, Level 17, 383 Kent Street, Sydney NSW Australia at 11.00am on 28 August 2015.

Chairman's Letter

"SPMS is a significant medical opportunity for the Company as these patients are in great need of an effective treatment and we have good reason to believe that MIS416 could help make a real difference in the lives of these patients."

Dear Fellow Shareholder

On behalf of Innate Immunotherapeutics' Board and management, I am pleased to provide you with our 2015 Annual Report.

Since the successful completion of our Initial Public Offering and listing on the ASX in late 2013, the Company has been focused on the execution of a Phase 2B 'proof of efficacy' trial of our drug candidate MIS416 in patients with secondary progressive multiple sclerosis or "SPMS". The complexity of the trial protocol and the need to 'wash-out' other drugs being prescribed to many patients has led to a drawn out start to the trial, but it is now developing good momentum. SPMS is a significant medical opportunity for the Company as these patients are in great need of an effective treatment and we have good reason to believe that MIS416 could help make a real difference in the lives of these patients.

In parallel with the clinical programme, our science team lead by Chief Scientific Officer Gill Webster, has significantly expanded our understanding of how MIS416 appears to be working in patients with SPMS and as a result we are identifying new potential applications with unmet needs similar to SPMS. Refining our knowledge of drug 'mechanism of action' plays a critical role in building the value of the SPMS programme and I am excited at the progress being made in this regard.

Earlier in the year I was present at a number of meetings between the Company's senior management and pharmaceutical companies who have existing or potential interest in the multiple sclerosis drug market. The genuine interest in our SPMS programme from multiple parties was quite obvious. We have every reason to be confident that a good result from the current trial should result in a competitive and rewarding partnering process on completion of this study.

I would like to thank my fellow directors and our CEO Simon Wilkinson for the commitment and experience they have all brought to table this year. Equally, to all our shareholders, staff, collaborators, investigators, advisors, trial patients, and patients accessing MIS416 on compassionate grounds - thank you for your ongoing support for what the Company has set out to achieve.

Michael A Quinn
CHAIRMAN

CEO's Report

SPMS – A SIGNIFICANT UNMET NEED AND OPPORTUNITY

Secondary Progressive Multiple Sclerosis (SPMS)

Innate Immunotherapeutics is a medical biotechnology company with a Phase 2B drug candidate to treat secondary progressive multiple sclerosis. Multiple sclerosis (MS) is a chronic disease affecting the brain and spinal cord. It is the most common disabling neurological disease affecting young adults and has a life long impact. Most patients who initially present with MS symptoms are diagnosed with the early-stage "relapsing-remitting" form of disease (RRMS) where the sufferer experiences clearly defined attacks (relapses) of worsening neurologic and neuromuscular function. These relapses are followed by periods of partial or complete recovery (remissions).

Despite there being now eleven drugs approved to provide ongoing treatment for RRMS, at least 60% of sufferers go on to develop a later stage "secondary-progressive" form of the disease (SPMS). In SPMS, patients experience worsening symptoms and accumulation of multiple disabilities in the absence of the relapses seen in RRMS. **Unfortunately, there are no approved drugs available to provide safe, effective, long-term ongoing treatment for patients with SPMS.**

Using the 2012 worldwide MS market revenue estimate of US$14 billion and the estimated 30% prevalence of SPMS worldwide, the current unmet SPMS market size is estimated to be approximately US$4 billion.

Innate Immunotherapeutics has a drug candidate for SPMS (MIS416)

MIS416 has been developed by Innate Immunotherapeutics as potential treatment for patients with SPMS. MIS416 has successfully completed pre-clinical, Phase 1B and Phase 2A trials examining its use as a novel therapy for SPMS. These trials, together with a compassionate use programme run in New Zealand over the past six years, indicate that MIS416 appears safe at the doses trialled and additionally many patients have self-reported improvements as a result of treatment.

The Company is now enrolling patients into a Phase 2B randomized, double-blind, placebo-controlled safety and efficacy trial of MIS416 in patients with SPMS.

The trial is being conducted at five sites in Australia and one site in New Zealand. The trial design provides for 60 subjects to receive active treatment (MIS416) and 30 to receive a non-active placebo. Subjects are being treated once weekly over a 52 week period. Patient recruitment commenced in October 2014 with enrolment taking longer to gather pace than originally forecast due to the study's tight patient eligibility requirements and the limited availability of trial sites at which to run such a comprehensive Phase 2 patient study. Forty-five patients (50% of the target 90 patients) are now currently either on treatment, being screened, or coming off previous medications in readiness to be enrolled into the study.

The efficacy of MIS416 is being determined using a number of objective neuromuscular clinical assessments. Changes to disability and health status from the patients' perspective are being determined using a number of subjective patient reported outcome measures. In addition, cranial MRI scans are being used experimentally to see if treatment has an effect on brain volume and myelin.

The design of the current study, and in particular the selection of efficacy assessments, was undertaken in consultation with several experts who are part of the 'MS Outcome Assessments Consortium' (MSOAC). MSOAC is a US-based consortium undertaking the development of a clinical outcome assessment tool for use in future MS clinical trials. Such a tool, which could comprise a number of clinical tests, would improve and speed the evaluation of new therapies for MS, in particular progressive MS. The Company has subsequently become an industry member of MSOAC. Further details about the Consortium are available at: http://c-path.org/programs/msoac/

The success of the Company's current Phase 2B trial will be judged on consistency of the clinical benefit outcomes rather than inferential statistical testing of individual clinical assessments. Further details are available at www.clinicaltrials.gov, entering the trial identifier: NCT02228213.

How does MIS416 work (mechanism of action)

In MS, the myelin 'insulation' which surrounds and protects the nerve fibres in the central nervous system (CNS) is damaged which in turn leads to the nerve fibres also being damaged. In RRMS, this damage occurs during acute relapses however the myelin is largely repaired by the body during the periods of subsequent remission. In patients with SPMS, this damage to the myelin is ongoing and takes place in the absence of the acute relapses seen in RRMS. Accordingly the disease process in patients with SPMS is quite different to the disease process in RRMS which has contributed to the lack of efficacy to date of RRMS drugs when trialled in patients with SPMS.

Research has now identified that myeloid derived innate immune cells can play a vital role in limiting inflammation and promoting myelin repair in CNS disorders including progressive MS. **MIS416 targets these important myeloid derived innate cells**.

Analysis of blood samples from both animals and patients treated with MIS416 shows that MIS416 stimulates these cells to produce anti-inflammatory factors which are able to access the CNS. This is important because the presence of chronic inflammation inside the CNS of patients with SPMS interferes with the body's ability to repair myelin. Analysis also shows that MIS416 treatment results in an increase in the number of the targeted cells. This is important because these cells are able to access the CNS and help clear myelin debris which also interferes with myelin repair. Finally, recent analysis of blood samples from patients who participated in the previous Phase 1B and 2A trials shows that MIS416 stimulates the production of neurotrophic factors. This is important because trophic factors promote the repair and protection of tissue within the brain, including myelin and nerves.

Intellectual Property

The Company has been granted patents protecting the use of MIS416 to treat multiple sclerosis (including SPMS) in the major markets which comprise the United States, Canada, Western Europe, and United Kingdom. Within these major markets, approximately 75% of current MS drug revenue is derived from the U.S. market. Patents have also been issued in smaller markets including Australia, and New Zealand. As MS most commonly afflicts Caucasians of northern European ancestry, the countries in which patents have been successfully obtained to date represent most of the potential commercial SPMS market. These patents extend to 2029.

Commercial Prospects

Innate Immunotherapeutics is positioning its clinical development programme in SPMS for potential partnering at the end of the current Phase 2B study. The Company has had considerable success to date at attracting early interest in the programme. This interest has come from both pharmaceutical companies with existing drugs to treat RRMS and also companies who have not previously been involved in the MS market. In the case of the latter, the apparent ability of MIS416 to exert anti-inflammatory effects inside the CNS is of particular interest.

Partnering transactions usual take into account the commercial terms of other transactions involving similar programmes. In the SPMS market there has been very few such 'comparables' however in December 2014 details of a license agreement involving a SPMS programme were made public by the parties involved. Reporting of this announcement can be viewed at: www.fiercebiotech.com/story/geneuro-snags-455m-deal-inks-ms-drug-pact-servier/2014-12-02 [or go to http://tinyurl.com/fb141202]

IT'S NOT ALL ABOUT SPMS – OTHER OPPORTUNITIES

Innate Immunotherapeutics' development of a technology that allows certain immune cells and immune processes to be targeted has potential application in other therapeutic areas.

Cancer Treatment Vaccines

The Company has two active collaborations with academic groups seeking to development safe and effective immunotherapies for use in patients who have already received primary anti-cancer therapy, being either surgery and or chemo/radio therapy. The aim of immunotherapy in these patients is to stimulate the patient's own immune system to help fight the existing tumour or resulting metastasis, and/or to prevent the recurrence of the cancer.

At Mie University Graduate School of Medicine, our Japanese collaborators are sponsoring and funding a Phase 1 trial of MIS416 combined with their proprietary cancer antigen in up to 24 patients with a sub type of refractory urothelial or prostate cancer. The purpose of the study is to evaluate the safety, tolerability and immune response in the patients. The last patient is expected to be enrolled in this study by the end of June 2015. To date there have been no reported treatment related serious adverse events and the combined treatment has apparently been well tolerated by the patients.

CEO's Report

At Roswell Park Cancer Institute (Buffalo, New York), our U.S. collaborators in the Division of Gynecologic Oncology and Center for Immunotherapy have been carrying out extensive preclinical studies using MIS416 combined with their proprietary cancer antigen. The results to date have been encouraging and the parties are now preparing an Investigational New Drug (IND) application for discussion with the FDA likely later in 2015. The target of interest to the collaboration's principal investigator, Dr Kunle Odunsi, is ovarian cancer. More information about Dr Odunsi and his work can be viewed at: www.roswellpark.org/kunle-odunsi. The IND would be filed in support of a physician sponsored Phase 1 trial which would be conducted at the Roswell Park Cancer Institute.

New Formulation

Currently MIS416 is administered to patients with SPMS as a small (500 micrograms) injection. This delivers MIS416 quickly and reliably into the blood stream and all the Company's safety and efficacy results to date have been obtained from dosing patient in this manner. As SPMS is a chronic disease without a known cure at this time, MIS416 treatment if approved, would likely need to be ongoing. An oral formulation of MIS416 would be a significant enhancement from the patient's perspective. The Company is carrying out work to establish whether the immuno modulating microparticles that comprise MIS416 can be encapsulated for oral delivery and remain effective.

A SMALL BUT VERY HARD WORKING TEAM

The Company currently has nine full time and three part time employees. This small group undertakes: manufacturing of MIS416; expansion of our knowledge of drug mechanism of action and identification of other potential clinical applications; clinical development and oversight; business development, and administration. The ability to produce solid ongoing results from such a small team is a testament to their experience, teamwork, and commitment to the clinical success of MIS416 – both for the benefit of shareholders and the patients who suffer from SPMS.

Corporate Governance

for year ended 31 March 2015

This statement has been approved by the Board of the Company. The statement has been prepared as at 29 June 2015 with reference to the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1

A listed entity should disclose:

a. the respective roles and responsibilities of its Board and management; and

b. those matters expressly reserved to the Board and those delegated to management

The Board of Directors has been charged by shareholders with overseeing the affairs of the Company to ensure that they are conducted appropriately and in the interests of all shareholders. The Board defines the strategic goals and objectives of the Group, as well as broad issues of policy and establishes an appropriate framework of Corporate Governance within which the Board members and management must operate. The Board reviews and monitors management and the Group's performance. The Board has also taken responsibility for establishing control and accountability systems/processes and for monitoring senior executive performance and implementation of strategy.

The roles and responsibilities of the Board are set out in a Board Charter which was adopted by the Board on 17 July 2014 and is available on the Company's website.

The Board has specifically identified the following matters for which it will be responsible:

a. reviewing and determining the Company's strategic direction and operational policies;
b. review and approve business plans, budgets and forecasts and set goals for management;
c. overseeing management's implementation of the Company's strategic objectives and its performance generally;
d. appoint and remunerate senior staff (if any);
e. review performance of senior staff (if any);
f. review financial performance against Key Performance Indicators on a quarterly basis;
g. approve acquisition and disposal of assets, products and technology;
h. approve clinical trial programs;
i. approve operating budgets, capital, development and other large expenditures;
j. review risk management and compliance;
k. oversee the integrity of the Company's control and accountability systems;
l. Oversee the Company's processes for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's shares
m. reporting to shareholders;
n. ensure compliance with environmental, taxation, Corporations Act and other laws and regulations; and
o. monitoring the effectiveness of the Company's governance practices.

Management is charged with the day to day running and administration of the Company consistent with the objectives and policies as set down by the Board. Within this framework, the Managing Director is directly accountable to the Board for the performance of the management team.

RECOMMENDATION 1.2

A listed entity should:

a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and

b. provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.

The Company does undertake detailed checks before it appoints a person, or puts forward to shareholders a new candidate for election, as a Director. These checks include references as to the person's character, experience, education. The Company does not propose to check criminal records or the bankruptcy history for potential new Board members however may consider such checks where necessary or appropriate in the future.

The Company will include all material information in its possession relevant to a decision whether or not to elect or re-elect a Director in the relevant Notice of Meeting. Information relating to each of the Directors is also provided on the Company's website.

RECOMMENDATION 1.3

A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company has not yet established written agreements with each director which set out the terms of their appointment. The appointment of Directors is governed by the relevant provisions of the Company's Constitution.

Directors are not appointed for a fixed term but are, excluding any Managing Director, subject to re-election by shareholders at least every three years in accordance with the Constitution of the Company.

A Director appointed to fill a casual vacancy or as an addition to the Board, only holds office until the next general meeting of shareholders and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each Annual General Meeting of shareholders.

The Company does maintain written agreements with each of its senior executives which set out the terms of their appointment.

RECOMMENDATION 1.4

The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary has been appointed on the basis that he will be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

All Directors of the board have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chairman, in particular to matters relating to corporate governance.

RECOMMENDATION 1.5

A listed entity should:

a. have a diversity policy which includes requirements for the board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

b. disclose that policy or a summary of it; and

c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

   1. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

   2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Due to the scope and size of the Company's operations, the Board does not have a formal diversity policy in line with the ASX's Corporate Governance guidelines.

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice.

The Board acknowledges the benefits of and will seek to achieve diversity during the process of employment at all levels without detracting from the principal criteria for selection and promotion of people to work within the Company based on merit.

The Board believes that there is no detriment to the Company in not adopting a formal diversity policy or in not setting gender diversity objectives as the Company is committed to providing all employees with fair and equal access to employment opportunities and nurturing diversity within the Company. This is evident by women occupying a number of important positions within the Company. Ms Elizabeth Hopkins is a Non-Executive Director, Ms Gill Webster is the Company's Chief Scientific Officer and Margaret Rhoades is the Company's Quality Assurance Manager. In addition the Company's two most recent appointments were women: Ms Janette Dixon is the Company's Vice President for Business Development and Claudia Mansell is Senior Research Scientist. Seven of the Company's thirteen part time/full time employees/officers are women.

The Board will regularly review the size of its operations and will, if necessary, adopt a formal diversity policy and gender diversity objective as appropriate.

RECOMMENDATION 1.6

A listed entity should:

a. have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company does not have a formal process for evaluating the performance of the board, its committees or individual Directors. The Board has adopted a self-evaluation process to measure its own performance. The Chairman evaluates the performance of each director and the Board evaluates the performance of the Chairman on an ongoing basis. All performance evaluations will be measured against budget, goals and set objectives.

The Board believes that this approach is appropriate given its size and the geographic split with three of the Directors being based overseas.

A Director is expected to resign if the remaining Directors recommend that a Director should not continue in office, but is not obliged to do so.

No formal performance evaluation was undertaken during the reporting period.

RECOMMENDATION 1.7

A listed entity should:

a. have and disclose a process for periodically evaluating the performance of its senior executives; and

b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Currently, the Board does not have a formal policy for the evaluation of the performance of its senior executives.

The Board is currently responsible for monitoring the performance of senior executives with reference to the Company's budgets, goals and set objectives. As the Company expands, the Board intends to establish formal, quantitative and qualitative performance evaluation procedures.

No formal performance evaluation of senior executives was undertaken during the reporting period.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1

The Board of a listed entity should:

a. have a nomination committee which:
  1. has at least three members, a majority of whom are independent Directors, and
  2. is chaired by an independent director;

and disclose
  3. the charter of the committee
  4. the members of the committee; and
  5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b. if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively

Due to the small size of the Company and the number of Board members, the Board does not have a formal nomination committee structure. Any new Directors will be selected according to the needs of the Company at that particular time, the composition and the balance of experience on the Board as well as the strategic direction of the Company.

Should the need arise to consider a new Board member, some or all of the Directors will form the committee to consider the selection process and appointment of a new Director.

At each annual general meeting, the following Directors retire:

i. one third of Directors (excluding the Managing Director or Chief Executive Officer, if he/she is a Director, if any);
ii. Directors appointed by the Board to fill casual vacancies or otherwise; and
iii. Directors who have held office for more than three years since the last general meeting at which they were elected.

The Board consists of 5 Directors, but up to 10 Directors can serve on the Board. There is one Executive Director, Simon Wilkinson, who is Chief Executive Officer of the Company, and 4 Non-Executive Directors (Christopher Collins, Elizabeth Hopkins, Michael Quinn and Andrew Sneddon):

Michael Quinn	Non-Executive Chairman
Simon Wilkinson	Executive Director and Chief Executive Officer
Christopher Collins	Non-Executive Director
Elizabeth Hopkins	Non-Executive Director
Andrew Sneddon	Non-Executive Director

RECOMMENDATION 2.2

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company does not have a formal Board skills matrix which sets out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The composition of the Board is reviewed from time to time taking into account the length of service on the Board, age, qualification and experience, any requirements of the Company's constitution, and in light of the needs of the Company and direction of the Company, together with such other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

Details of each Directors experience and length of service can be found on the Company's website and are reported in the Company's Financial Report on an annual basis.

RECOMMENDATION 2.3

A listed entity should disclose:

a. the names of the directors considered by the Board to be independent Directors;

b. if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

c. the length of service of each Director.

Michael Quinn, Elizabeth Hopkins, and Andrew Sneddon are considered Independent Directors.

In addition, the Board has adopted a series of safeguards to ensure that independent judgement is applied when considering the business of the Board:

i. Directors are entitled to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required but this is not unreasonably withheld.

ii. Directors having a conflict of interest with an item for discussion by the Board must absent themselves from a Board meeting where such item is being discussed before commencement of discussion on such topic.

iii. The Independent Directors confer on a "needs" basis with the Chairman, if warranted and considered necessary by the Independent Directors.

The Board considers Non-Executive Directors to be independent even if they have minor dealings with the Company, provided they are not a substantial shareholder. Transactions with a value in excess of 5% of the Company's annual operating costs are considered material. A Director will not be considered independent if he/she is involved in transactions with the Company that are in excess of this materiality threshold.

Details of each Directors experience and length of service can be found on the Company's website and are reported in the Company's Financial Report on an annual basis.

RECOMMENDATION 2.4

A majority of the Board of a listed entity should be independent Directors.

Michael Quinn, Elizabeth Hopkins, and Andrew Sneddon are considered Independent Directors and accordingly a majority of the Board are independent Directors.

RECOMMENDATION 2.5

The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Michael Quinn is the current Chairman of the Company. He is an independent Director and not the same person as the CEO.

The Chairman's role includes:

i. providing effective leadership on formulating the Board's strategy;

ii. representing the views of the Board to the public;

iii. ensuring that the Board meets at regular intervals throughout the year and that minutes of meeting accurately record decisions taken and where appropriate the views of individual Directors;

iv. guiding the agenda, information flow and conduct of all Board meetings;

v. reviewing the performance of the Board of Directors; and

vi. monitoring the performance of the senior management of the Company.

RECOMMENDATION 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The Company has not established a formal program for inducting new Directors however new Directors would be provided with all relevant Company policies and procedures including.

Directors are encouraged to pursue appropriate professional development opportunities to develop and maintain their skills and knowledge in order to perform their role as Directors effectively.

All Board members have access to professional independent advice at the Company's expense, provided they first obtain the Chairman's approval, with such approval not being withheld unreasonably.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

RECOMMENDATION 3.1

A listed entity should:

a. have a code of conduct for its Directors, senior executives and employees; and

b. disclose that code or a summary of it.

The Board approved a Code of Conduct and Ethics on 17 July 2014 which applies to all Directors, senior executives and employees and is available on the Company's website.

In making decisions, the Directors, senior executives and employees of the Company, take into account the needs of all stakeholders, including:

i. the Company;
ii. Shareholders;
iii. Employees;
iv. Creditors;
v. Contractors;
vi. Community, including potential patients and their caregivers who may benefit from the Company's drug development programs; and
vii. Governments, which are relevant to the Company's business and operations.

The Directors, senior executives and employees of the Company are expected to:

i. comply with the laws and regulations both by the letter and in spirit;
ii. act honestly and with integrity;
iii. avoid conflicts of interest by not placing themselves in situations which result in divided loyalties;
iv. use the Company's assets responsibly and in the interests of the Company, not take advantage of property, information or position for personal gain or to compete with the Company;
v. to keep non-public information confidential except where disclosure is authorised or legally mandated; and
vi. be responsible and accountable for their actions and report any unethical behaviour.

It is the Company's objective to create wealth for its shareholders and provide a safe and challenging environment for employees and for the Company to be a valuable member of the community as a whole.

The Company's core values are summarised as follows:

i. provide value to its shareholders through growth in its market capitalisation;
ii. act with integrity and fairness;
iii. create a safe and challenging workplace;
iv. be participative and recognise the needs of the community, including the needs of patients who may be beneficiaries of the Company's drug development programs;
v. protect the environment;
vi. be commercially competitive; and
vii. strive for high quality performance and development.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1

The Board of a listed entity should:

a. have an audit committee which:

1. has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and

2. is chaired by an independent Director, who is not the chair of the Board, and disclose:

3. the charter of the committee;

4. the relevant qualifications and experience of the members of the committee; and

5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b. if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company has established an audit committee which comprises Elizabeth Hopkins and Andrew Sneddon. Due to the small size of the Company and the number of Board members, the committee is not comprised of three members.

Andrew Sneddon acts as Chairman of the audit committee. Mr Sneddon is an independent Director and not the Chair of the Board.

The role of the audit committee is to:

i. monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
ii. review the Company's internal financial control system and risk management systems;
iii. monitor, review and oversee the external audit function including, matters concerning appointment and remuneration, independence and non-audit services;
iv. monitor and review compliance with the Company's Corporate Governance Statement; and
v. perform such other functions as assigned by law or the Company's Constitution.

The audit committee may seek provision of educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling its duties. Further, the audit committee may seek explanations and additional information from the Company's external auditors, without management present, when required.

When considered necessary or appropriate, the audit committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

Other matters relating to the operation and authority of the audit committee are set of in the Audit Committee Charter, which shall be posted on the Company's website.

Details relating to the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings are set out on an Annual Basis in the Directors Report contained in the Company's Year End Financial Report which is released to the market and posted on the Company's website.

RECOMMENDATION 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's Chief Executive Officer and Chief Financial Officer have reported in writing to the Board on a yearly and half-yearly basis confirming that:

i. the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards;
ii. the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and performance of the Company; and
iii. the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating effectively in all material respects.

RECOMMENDATION 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attends the AGM and is available to answer questions from shareholders relevant to the conduct of the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1

A listed entity should:

a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
b. disclose that policy or a summary of it.

The Company has procedures in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the Australian Securities Exchange in accordance with its listing rule disclosure requirements.

The distribution of information to the market and media is handled by the Chairman, the Chief Executive Officer or the Company Secretary. The Company Secretary has been nominated as the person responsible for communications with Australian Securities Exchange. This role includes responsibility for compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules and overseeing and coordinating information disclosures to Australian Securities Exchange, analysts, brokers, shareholders the media and the public.

All disclosures to the Australian Securities Exchange will be posted on the Company's website soon after clearance has been received from the Australian Securities Exchange.

The Chief Executive Officer and Company Secretary will monitor information in the marketplace to ensure that a false market does not emerge in the Company's securities.

The Board approved a Continuous Disclosure Policy on 17 July 2014 which is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

RECOMMENDATION 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Information about the Company and its governance are available on the Company's website. The Company's website provides detailed corporate information and has a specific section relating to corporate governance.

RECOMMENDATION 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

It is the Company's communication policy to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

The information will be communicated to the shareholders through:

i. continuous disclosure announcements made to the Australian Securities Exchange;
ii. posting of half-yearly results and all Australian Securities Exchange announcements on the Company's website;
iii. posting of all results of clinical trials;
iv. posting of all media announcements on the Company's website; and
v. the calling of annual general meetings, and other meetings of shareholders, as required, and to obtain approval for Board action, as considered appropriate.

Investors and other stakeholders are invited to subscribe to an email alert facility on the Company's website so that they can receive material announcements which have been released by the Company to the market via an email in a timely manner.

RECOMMENDATION 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company does not have formal policies or process in place to facilitate or encourage participation at shareholder meetings. The Company will despatch a Notice of Meeting and Explanatory Statement to shareholders in accordance with statutory requirements. In addition details of any shareholder meeting will be posted on the Company's website.

At any meeting of shareholders, shareholders will be encouraged to ask questions of the Board of Directors in relation to the matters to be considered at such meeting and where appropriate relating to the operation of the Company.

RECOMMENDATION 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides shareholders with the option to receive communications from, and send communications to, the entity and its security registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1

The Board of a listed entity should:

a. have a committee or committees to oversee risk, each of which:
   1. has at least three members, a majority of whom are independent Directors; and
   2. is chaired by an independent director, and disclose:
   3. the charter of the committee;
   4. the members of the committee; and
   5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

In light of the nature of the Company's operations and activities, formal and informal policies for the oversight and management of the various business risks associated with the Company's activities are conducted at the Board level by all of the Directors.

Responsibility for day to day control and risk management lies with the Directors and Chief Financial Officer (financial risk). The Board will monitor risks including, but not limited to, compliance with licensing or other regulatory approval requirements, tendering, contracting and development, quality, safety, strategic issues, financial risk, joint venture, accounting and insurance. Any changes in the risk profile for the Company will be communicated to its stakeholders via an announcement to the Australian Securities Exchange.

The Board is reviewing revisions to its Audit Committee Charter to extend the scope of that committee's responsibilities to address risk. The revised Audit & Risk Committee Charter will be posted to the Company's website once it has been reviewed and approved by the Board.

RECOMMENDATION 7.2

The Board or a committee of the Board should:

a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b. disclose, in relation to each reporting period, whether such a review has taken place.

There are inherent risks associated with design, manufacture, trial and commercialisation of medicines. The Board continuously reviews the activities of the Group to identify key business and operational risks and, where possible, will implement policies and procedures to manage such risks.

The Board is provided with regular reporting on the management of operations and the financial condition of the Company aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

The Chief Financial Officer has conducted a preliminary risk review analysis which is in the process of being reviewed by the Audit Committee.

It is proposed that the Audit Committee will assume additional responsibilities which will extend to a review of the Company's risk management framework on an annual basis.

RECOMMENDATION 7.3

A listed entity should disclose:

a. if it has an internal audit function, how the function is structured and what role it performs; or

b. if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

In light of the nature and extent of the Company's operations and activities, the Company has not established an internal audit function.

The Board continuously reviews the activities of the Group to identify key business and operational risks and, where possible, will implement policies and procedures to address such risks and where approval to establish appropriate internal control processes.

The Board is provided with regular reporting on the management of operations and the financial condition of the Company aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

RECOMMENDATION 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

In light of the nature and extent of the Company's operations its business activities have limited sustainability implications at this stage of its business strategy.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1

The Board of a listed entity should:

a. have a remuneration committee which:

  1. has at least three members, a majority of whom are independent Directors; and

  2. is chaired by an independent director, and disclose:

  3. the charter of the committee;

  4. the members of the committee; and

  5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b. if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Remuneration Committee which is comprised of Michael Quinn and Christopher Collins. Due to the small size of the Company and the number of Board members, the committee is not comprised of three members however the Company has a very small number of Directors and employees in aggregate. The number of committee members will be reviewed by the Board from time to time and may be increased if the size of the Company or the nature and extent of its operations increase materially.

Christopher Collins is the Chairman of the Remuneration Committee. Christopher Collins is not regarded as independent because he is a substantial shareholder of the Company and consequently, the Remuneration Committee is not comprised of a majority of independent Directors and is not chaired by an independent Director.

The Board has approved a Remuneration Committee Charter which is posted on the Company's website.

Details relating to the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings are set out on an Annual Basis in the Directors Report contained in the Company's Year End Financial Report which is released to the market and posted on the Company's website.

The function of the Remuneration Committee is to fulfil its corporate governance responsibilities with respect to remuneration by reviewing:

i. remuneration packages of executive Directors, non-executive Directors and senior executives; and

ii. employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.

The responsibilities of the Remuneration Committee include a review of:

i. the Company's remuneration policy and framework;

ii. senior executives' remuneration and incentives;

iii. superannuation arrangements; and

iv. remuneration by gender.

RECOMMENDATION 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

Directors

a. The Non-Executive Directors including the Chairman are eligible to receive a fixed Directors' fee. The maximum aggregate amount of fees which could be paid to Non-Executive Directors is set by the Company in general meeting and, until such time, is determined by the Directors. The objective of the Company's remuneration policies, processes and practices are to attract and retain appropriately qualified and experienced Directors who will add value by adopting competitive remuneration and reward programmes which are fair and responsible and aligned with shareholder objectives. Remuneration is also determined having regard to how Directors are remunerated for other similar companies, the time spent on the Company's matters and the performance of the Company.
b. Simon Wilkinson is the Chief Executive Officer (CEO) of the Company and he is charged with the responsibility of managing the Company's day-to-day business. Certain responsibilities are delegated to the CEO and are set out below.
c. The Board has no retirement or termination benefits.

Senior Executives

a. The objective of the Company's remuneration policies, processes and practices as they relate to senior executives are to attract and retain appropriately qualified and experienced employees who will add value by adopting competitive remuneration and reward programmes which are fair and responsible and aligned with shareholder objectives. Remuneration is also determined having regard to how senior executives are remunerated for other similar companies and the performance of the Company.
b. (The CEO is responsible for managing the Company's day-to-day business. The key functions and responsibilities of the CEO, which have been delegated by the Board, focus on the commercial aspects of developing the Company's products.
c. The company also retains a small but experienced staff with specialist skills in immunology and GMP manufacturing and related regulatory affairs. They include Gill Webster as Chief Scientific Officer, Margaret Rhoades as Quality Assurance Manager and Ken Tucker as Production Manager.

Each of the Company's senior executives report directly to the CEO. The Board and the CEO closely monitor the performance of individual senior executives.

Formal evaluation of senior executives has not been undertaken. The senior executive team is small and works closely with the Board as required allowing Board members to continuously and directly monitor the performance of individual senior executives and to provide input directly where appropriate.

RECOMMENDATION 8.3

A listed entity which has an equity-based remuneration scheme should:

a. have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
b. disclose that policy or a summary of it.

The Company has an Employee Share Option Plan (ESOP) which is open to any person who is employed by, or is a director, officer, executive or engaged as a consultant of the Company or any related body corporate of the Company and whom the Remuneration Committee determines is eligible to participate in the Option Plan.

Key management personnel are prohibited from entering into agreements or transactions which operate to limit the economic risk of participating in the ESOP.

Innate Immunotherapeutics Limited
ACN 165 160 841

Financial Statements

For the year ended 31 March 2015

Contents

Directors' Report

for the year ended 31 March 2015

Your directors present their report on Innate Immunotherapeutics Limited (the "Company") and its subsidiary Innate Immunotherapeutics (NZ) Limited (together the "Group") for the year ended 31 March 2015.

DIRECTORS

The names of directors in office at any time during or since the financial year are:

Michael Quinn

Simon Wilkinson

Liz Hopkins

Christopher Collins

Andrew Sneddon

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

Details of the current directors' qualifications, experience and responsibilities are detailed below:

Michael Quinn (BSc, BEc, MBA (Harvard) – 67 years)
Non-Executive Chairman

Mr Quinn co-founded Innovation Capital in 1999 and is Managing Partner of the firm. Michael's experience encompasses a broad range of industries including banking, high technology plastics, environmental, electronics, wireless, alternative energy, pharmaceutical and medical device industries in US, Europe and Australia. Michael has advised and mentored numerous companies in operational, strategic and financial matters. As an executive and director he has participated in ASX, AIM, NASDAQ and NYSE initial public offerings and has extensive M&A experience.

In 2013 Michael retired as a director of ResMed Inc (ASX and NYSE: RMD), after 21 years. ResMed is a world leader in the respiratory healthcare market. Michael also co-founded Memtec which was acquired by US Filter in 1997 for US$400 million.

Michael is a Director and Chairman of the Company and was appointed on 19 September 2013

Simon Wilkinson (58 years)
Managing Director and CEO

Mr Wilkinson was formerly a partner in Christchurch based ODL Capital, the principal New Zealand fundraiser for the Company since 2001. Simon has spent 20 years in finance, banking and business management, after training as an officer in the Royal New Zealand Navy. He was appointed a Director of the Company on 22 November 2004. Simon is also the sole Director of the Group's subsidiary, Innate Immunotherapeutics (NZ) Limited

Elizabeth Hopkins (BSc. (Hons) – 51 years)
Non-Executive Director

Mrs Hopkins trained at Oxford University and holds a First Class Honours degree in Pharmacology. She has spent 20 years successfully commercialising science outcomes and holds several Director positions, including being a Ministerial appointment to the Council of International Accreditation New Zealand. Mrs Hopkins has previously been Deputy Chair of NZBIO and was CEO at Wool Equities/Keratec, CEO at Encoate (a start-up biotech), and Chief Development Officer at NeuronZ. Elizabeth is currently Director, Research and Commercialisation at Lincoln University (Christchurch, NZ). Before moving to New Zealand in 2001, she was with Pfizer's European headquarters for ten years, the last 2 years as a Global Project Manager. Elizabeth was previously a director of the Company from 1 June 2009 until 19 September 2013 and was reappointed as a Director on 17 October 2013.

Christopher Collins (BSc., MBA – 65 years)
Non-Executive Director

Mr Collins has over 30 years of experience in business management. He founded Nuttall Gear Corporation (New York), which was subsequently acquired by Altra Holdings (NASDAQ: AIMC). Chris has helped acquire, manage and make profitable 17 companies across a range of industries. He recently completed a 4 year term as the elected County Executive of Erie County in Western New York State and is now the Congressman for the 27th Congressional District of New York. Mr Collins resides in Clarence, New York. He was appointed a Director on 20 February 2006.

Andrew Sneddon (BEcon, CA – 58 years)
Non-Executive Director

Mr Sneddon is a former partner of PricewaterhouseCoopers (PwC). In his PwC role, he led the Life Sciences Practise and specialised in fast growth and emerging technology companies working with many companies from start-up to successful global corporations. Andrew has extensive experience in a wide range of technical areas including mergers and acquisitions, business and strategic planning, audit, valuation, capital raising and stock exchange listings on the Australian, NASDAQ and London Stock Exchanges. He has worked across a broad range of industries and is currently a non-executive director at ClearView Wealth Limited and the chairman of Traditional Therapies Limited, Elastagen Pty Ltd, ServiceRocket Inc, Fusion Payments Limited and TGR BioSciences Pty Ltd. Andrew is also a member of the Audit and Compliance Committees of the Crescent Capital Private Equity Funds. He was appointed as a Director on 19 September 2013.

INFORMATION ON COMPANY SECRETARY

Andrew J. Cooke (LLB, FGIA – 54 years)
Company Secretary

Mr Cooke has extensive experience in law, corporate finance and is the Company Secretary of a number of ASX listed companies. He is responsible for stock exchange and regulatory compliance as well as general company secretarial requirements. Andrew was appointed Company Secretary on 11 October 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the research and development of its lead drug candidate (MIS416) to treat secondary progressive multiple sclerosis (“SPMS”). In addition the Group continued to evaluate other clinical applications for its unique immune modulating technology.

There were no significant changes in the nature of the Group’s principal activity during the financial year.

OPERATING RESULTS

The Group total comprehensive loss after tax for the year ended 31 March 2015 was $5,084,612 (2014: Loss after tax $4,520,615).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared during the financial year or after reporting date.

REVIEW OF OPERATIONS

With the completion of the IPO, in December 2013, the Group was able to commence detailed planning for a Phase 2B safety and efficacy trial of its lead candidate MIS416 in patients with SPMS. The Group entered into an Agreement with INC Research (“INCR”) for management, monitoring, and analysis services in support of the study. INCR engaged with independent trial sites initially in Perth, Melbourne, and Brisbane and then subsequently Adelaide and Wellington, to conduct the study. Currently 45 patients (50% of the target 90 patients) are either on drug, being screened, or coming off previous medications in readiness to be enrolled into the study.

Directors' Report

for the year ended 31 March 2015

In addition to the Phase 2B clinical programme, the Group has continued to support a number of patients in New Zealand with SPMS who, together with their doctors, have sought ongoing access to MIS416 on compassionate grounds. The use of an unapproved, experimental medicine on such grounds reflects the reality that there are no approved effective treatments for SPMS and most patients with this chronic disease progressively become more disabled. Of the 18 patients who started compassionate use treatment between 2008 and late 2013, 15 patients have self-reported significant and sustained improvements in many of the disabilities associated with their SPMS. At the same time there have been no signs of significant dose intolerance or cumulative toxicity arising from this chronic treatment.

Scientifically the Group has had a very productive twelve months. The understanding of how MIS416 works in patients with SPMS has advanced significantly and academic presentations of data relating to this mechanism of action have been very well received. As a result, a number of new research collaborations relevant to both progressive multiple sclerosis and other potential applications of the Group's immune modulating technology have eventuated.

FINANCIAL POSITION

The net assets of the Group have decreased by $4,906,441 from 31 March 2014. No capital was raised during the period. The cash balance as at 31 March 2015 was $4,088,896.

The main changes in the financial position have resulted from an increase in spending associated with the research and clinical development of MIS416 and costs associated with the running of a publicly listed company during the twelve month period.

The Group will seek to raise further capital as required to progress the clinical trial and to expand the development of other applications for MIS416.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been significant changes in the state of affairs during the 2015 financial year or existing at the time of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS

The Group's primary focus remains the timely delivery of a successful Phase 2B trial result in patients with SPMS. During the coming twelve months and in support of the SPMS clinical programme, the Group intends to also carry out preclinical research into a potential oral formulation of MIS416.

ENVIRONMENTAL ISSUES

The Group was in compliance with all the necessary environmental regulations throughout the period and no related issues have arisen since the end of the financial year to the date of this report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

REMUNERATION REPORT

The Directors of the Group present the Remuneration Report for non-executive directors, executive directors and other key management personnel (“KMP”), prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

Directors and KMP disclosed in this report

Name	Position
Directors	
Michael Quinn	Chairman and Non- Executive Director
Simon Wilkinson	Chief Executive Officer and Managing Director (CEO)
Elizabeth Hopkins	Non-Executive Director
Christopher Collins	Non-Executive Director
Andrew Sneddon	Non-Executive Director
Other KMP	
Gill Webster	Chief Scientific Officer (CSO)
Jeff Carter	Chief Financial Officer (CFO)
Janette Dixon	Vice President Business Development (VPBD)

Role of the Remuneration Committee

The Remuneration Committee is a committee of the Board. Its primary purpose is to:

- Assist the Board in fulfilling its oversight responsibilities relating to the remuneration of officers, directors, and executives of the Company.
- Advise the Board regarding the Company’s remuneration philosophies, practices, and procedures.
- Advise the Board regarding key senior management succession planning, including recruiting, hiring, development, and retention, and termination of key senior executives.

The objective of the Committee, currently comprising Directors Mr Collins (chair) and Mr Quinn, is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

Non-executive directors remuneration policy

Fees and payments to non-executive directors reflect the demands, which are made on, and the responsibilities of, the directors. Taking into account the need to conserve cash, the Board approved an annual base fee of $25,000 for the Chairman and $20,000 for the other non-executive directors (which also covers serving on a committee), paid six monthly in arrears. Long term incentives are provided through participation in the Employee Share Option Plan. Mr Collins is prevented by US congressional rules from receiving any cash or equity compensation for being a director of the Company.

Non-executive directors’ fees are determined within an aggregate directors’ fee pool limit, which is periodically recommended for approval by shareholders. The fee pool limit was set at $300,000 at the 2014 Annual General Meeting.

There are no retirement allowances for non-executive directors, in line with guidance from the ASX Corporate Governance Council on non-executive directors’ remuneration. Superannuation contributions to Australian resident non-executive directors are made where required under the Australian superannuation guarantee legislation.

Executive remuneration policy

The Remuneration Committee is responsible for approving remuneration packages applicable to executive directors and other KMP of the Group. The Remuneration Committee is to ensure that the remuneration package properly reflects the person’s duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

Executive directors of the Group do not receive director’s fees and are not currently provided with retirement benefits.

Executive directors and KMP are remunerated primarily by means of cash benefits and may receive cash bonuses based on the achievement of individually set key performance indicators. However the Group's need to preserve cash may result in the cash component of remuneration being insufficient to match that which is offered by other companies to personnel in comparable positions or with similar skill sets. Accordingly the Group may use share options where necessary to mitigate this and to also provide for medium term shareholder and KMP goal alignment.

To enable share options to be included as part of Director and KMP remuneration, an Employee Share Option Plan was adopted by on 12 November 2013.

Directors' and other Key Management Personnel Remuneration – 31 March 2015

Details of the nature and amount of each element of the remuneration of each Director and KMP for the year ended 31 March 2015, are shown in the table below:

	Short-Term Benefits			Post-Employment Benefits		Long-Term Benefits		
2015	Cash Salary & Fees ($)	Cash Bonus ($)	Non-monetary Benefits ($)	Super-annuation ($)	Retirement benefits ($)	Long Service Leave ($)	Share based payments[5] ($)	Total ($)
Directors								
Non –Executive								
Michael Quinn	22,831	–	–	2,169	–	–	–	25,000
Christopher Collins	–	–	–	–	–	–	–	–
Andrew Sneddon[1]	20,000	–	–	–	–	–	–	20,000
Elizabeth Hopkins	20,000	–	–	–	–	–	–	20,000
Executive								
Simon Wilkinson[2]	212,957	–	–	–	–	–	83,845	296,802
Total Directors	**275,788**	**–**	**–**	**2,169**	**–**	**–**	**83,845**	**361,802**
Gill Webster	181,652	–	–	–	–	–	34,922	216,574
Jeff Carter[3]	85,100	–	–	–	–	–	19,408	104,508
Janette Dixon[4]	59,414	–	–	–	–	–	14,551	73,965
Total KMP	**326,166**	**–**	**–**	**–**	**–**	**–**	**68,881**	**395,047**

1. Director's fees of $20,000 were paid to Mr Sneddon's service company, Jalba Consulting Pty Ltd.
2. Mr Wilkinson is the CEO and was a direct employee of the Company for the entire year. His annual salary is NZ$230,000. No directors fees are paid to Mr Wilkinson.
3. Mr Carter's CFO services are provided by Mr Carter's service company, Joblak Pty Ltd. The Company entered into a contract for his services from 1 June 2014 for an initial term up to 31 May 2015 at $6,000 per month.
4. Ms Dixon commenced as VPBD on 1 September 2014. The Company entered into a contract for her services from 1 September 2014 at NZ$9,167 per month. The agreement may be terminated by either party with 60 days notice.
5. Share based payments have all been in the form of options.

Directors' and other Key Management Personnel Remuneration – 31 March 2014

	Short-Term Benefits			Post-Employment Benefits		Long-Term Benefits		
2014	**Cash Salary & Fees ($)**	**Cash Bonus ($)**	**Non-monetary Benefits ($)**	**Super-annuation ($)**	**Retirement benefits ($)**	**Long Service Leave ($)**	**Share based payments[6] ($)**	**Total ($)**
Directors								
Non –Executive								
Michael Quinn	10,827	–	–	1,001	–	–	98,760	110,588
Christopher Collins	–	–	–	–	–	–	–	–
Andrew Sneddon[1]	9,462	–	–	–	–	–	65,840	75,302
Elizabeth Hopkins[2]	36,161	–	–	–	–	–	65,840	102,001
Gregory Moyle[3]	17,618	–	–	–	–	–	–	17,618
Executive								
Simon Wilkinson[4]	146,365	132,136	–	–	–	–	65,840	344,341
Total Directors	**220,433**	**132,136**	**–**	**1,001**	**–**	**–**	**296,280**	**649,850**
Other KMP								
Gill Webster	150,304	–	–	–	–	–	–	150,304
Jeff Carter[5]	27,875	–	–	–	–	–	–	27,875
Total KMP	**178,179**	**–**	**–**	**–**	**–**	**–**	**–**	**178,179**

1. Director's fees of $9,462 were paid to Mr Sneddon's service company, Jalba Consulting Pty Ltd.
2. Consulting fees of $26,951 were paid to Mrs Hopkins' service company, Hopkins Associates, and director's fees of $9,210 were paid to Mrs Hopkins.
3. Consulting fees of $17,618 were paid to Mr Moyle. No director's fees were paid to Mr Moyle and Mr Moyle resigned as a Director on 20 September 2013.
4. Consulting fees of $79,281 were paid to Mr Wilkinson's service company, Dreadnought Management Ltd up to 30 September 2013. Thereafter Mr Wilkinson became a direct employee of the Company and received a salary of $67,084 for the six months to 31 March 2014. Mr Simon Wilkinson became entitled to a bonus payment of $132,136 on completion of a major capital raising under an agreement made with Mr Wilkinson in March 2011. Following the successful IPO, 50% of this bonus ($66,068) was paid to Mr Wilkinson in March 2014 and the remaining 50% was paid to him in April 2014. No director's fees were paid to Mr Wilkinson.
5. Mr Carter commenced as CFO on 17 October 2013 on an 'as required' basis with remuneration paid to Mr Carter's service company, Joblak Pty Ltd.
6. Share based payments have all been in the form of options.

The Board set no other performance criteria for KMP during the year to 31 March 2015 and no other bonuses were paid to them.

Options issued as part of remuneration for the year ended 31 March 2015

Options may be issued to executives as part of their remuneration. The options are issued to encourage goal alignment between executives, directors and shareholders. The following options were issued to Directors as part of remuneration during the year.

2015	Date of Issue	Number	Vesting	Strike Price	Expiry	Value ($)
Directors						
Simon Wilkinson	20-Aug-14	1,750,000	1/3rd in 12 months then 1/8th of the remainder at the beginning of each quarter thereafter	$0.40	20-Aug-19	195,860
Total Directors		**1,750,000**				**195,860**
Other KMP						
Gill Webster	22-Oct-14	1,200,000	1/3rd in 12 months then 1/8th of the remainder at the beginning of each quarter thereafter	$0.40	22-Oct-19	116,448
Jeff Carter	22-Oct-14	200,000	Immediately	$0.40	22-Oct-19	19,408
Janette Dixon	22-Oct-14	500,000	1/3rd in 12 months then 1/8th of the remainder at the beginning of each quarter thereafter	$0.40	22-Oct-19	48,520
Total KMP		**1,900,000**				**184,376**

Options issued as part of remuneration for the year ended 31 March 2014

2014	Date of Issue	Number	Vesting	Strike Price	Expiry	Value ($)
Directors						
Non –Executive						
Michael Quinn[1]	12-Nov-13	1,500,000	Immediate	$0.45	5-Nov-18	98,760
Christopher Collins[1]	–	–	–	–	–	–
Andrew Sneddon[1]	12-Nov-13	1,000,000	Immediate	$0.45	5-Nov-18	65,840
Elizabeth Hopkins	12-Nov-13	1,000,000	Immediate	$0.45	5-Nov-18	65,840
Gregory Moyle	–	–	–	–	–	–
Executive						
Simon Wilkinson	12-Nov-13	1,000,000	Immediate	$0.45	5-Nov-18	65,840
Total Directors		**4,500,000**				**296,280**
Other KMP						
Gill Webster	–	–	–	–	–	–
Jeff Carter	–	–	–	–	–	–
Total KMP		**–**				**–**

1. Directors Mr Quinn, Mr Sneddon, and Mr Collins were issued with options that were not part of remuneration. See Note 9 (Related Parties) to the Financial Statements accompanying this Directors' Report

The ASX classified all of the options issued on 12 November 2013 to the Directors as restricted securities for a period of 24 months from the date of official quotation of the securities, being from 23 December 2013.

No other options were issued to, or exercised by, Directors or other Key Management Personnel during the year to 31 March 2015.

Employment Contracts

Simon Wilkinson – CEO

On 26 June 2014, the Company entered into an Employment Agreement with Mr Wilkinson as CEO and Managing Director. Pursuant to these terms, Mr Wilkinson was to be paid a salary of NZ$180,000 per annum for the period 1 October 2013 to 31 December 2013 and thereafter NZ$230,000 per annum. Either party may terminate the Employment Agreement by the giving of one month's written notice to the other.

Gillian Webster – CSO

On 1 February 2010, the Company entered into an updated employment agreement with Ms Webster, which was amended by a letter agreement dated 24 September 2014. Pursuant to these terms, Ms Webster is paid an annual salary of NZ$190,000 to perform the role of Chief Scientific Officer of the Company. The Employment Agreement provides that any intellectual property rights created, developed or improved by Ms Webster during the performance of her duties under the Employment Agreement vest in the Company and will be transferred and assigned to the Company without further consideration. Either party may terminate the Employment Agreement by the giving of one month's written notice to the other.

In the event of redundancy, the Company may be required to make termination payment based on a sliding scale. Where the employee has been employed by the Company for 3 or more years, the Company must pay 4 weeks' salary, plus an additional week's salary for every complete year of service after the first 2 completed years.

Jeff Carter – CFO

On 3 July 2014, the Company entered into a consultancy agreement with Mr Carter's service company, Joblak Pty Ltd. Pursuant to the terms of the Agreement, Mr Carter is paid a monthly amount of $6,000 to perform the part time role of Chief Financial Officer of the Company. The Agreement was for an initial term expiring 31 May 2015 with a provision to extend past that date if mutually agreed. The arrangement has been extended to 30 June 2015.

Janette Dixon – VPBD

On 1 September 2014, the Company entered into a consultancy agreement with Ms Dixon's service company, Biocomm Pacific Ltd. Pursuant to the terms of the Agreement, Ms Dixon is paid a monthly amount of NZ$9,167 to perform the part time role of Vice President Business Development of the Company. Under the agreement Ms Dixon may also be entitled to a cash bonus of 10% of the upfront money received for each deal related to developing commercial opportunities for the Company's non-MS related assets. The agreement may be terminated by either party with 60 days notice.

Non-Executive Directors

There are no contracts in place for non-executive directors.

Directors' and other Key Management Personnel Equity Holdings

i. Options provided as remuneration and shares issued on the exercise of such options are outlined below. The terms and conditions of the options issued during the year can be found above ("Options Issued as part of Remuneration for the year ended 31 March 2015).

ii. The number of unlisted options over ordinary shares in the company held by each director of the company and other KMP (including related parties) of the Group are set out below. All options that are vested are exercisable.

2015 – Options	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year*	Balance at the end of the year	Vested and exercisable at year end
Directors						
Non-Executive						
Michael Quinn	1,722,349	–	–	–	1,722,349	1,722,349
Christopher Collins	6,028,953	–	–	–	6,028,953	6,028,953
Andrew Sneddon	1,188,548	–	–	–	1,188,548	1,188,548
Elizabeth Hopkins	1,000,000	–	–	–	1,000,000	1,000,000
Executive						
Simon Wilkinson	2,300,000	1,750,000	–	–	4,050,000	2,300,000
Total Directors	**12,239,850**	**1,750,000**	**–**	**–**	**13,989,850**	**12,239,850**
Other KMP						
Gill Webster	816,759	1,200,000	–	(200,000)	1,816,759	816,759
Jeff Carter	–	200,000	–	–	200,000	200,000
Janette Dixon	–	500,000	–	–	500,000	–
Total Other KMP	**816,759**	**1,900,000**	**–**	**(200,00)**	**2,516,759**	**1,016,759**

2014 – Options	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year*	Balance at the end of the year	Vested and exercisable at year end
Directors						
Non-Executive						
Michael Quinn[1]	–	1,500,000	–	222,349	1,722,349	1,722,349
Christopher Collins[2]	1,250,000	–	–	4,778,953	6,028,953	6,028,953
Andrew Sneddon[3]	–	1,000,000	–	188,548	1,188,548	1,188,548
Elizabeth Hopkins	–	1,000,000	–	–	1,000,000	1,000,000
Greg Moyle (resigned 20/9/13)	100,000	–	–	(100,000)	–	–
Executive						
Simon Wilkinson	1,300,000	1,000,000	–	–	2,300,000	2,300,000
Total Directors	**2,650,000**	**4,500,000**	**–**	**5,089,850**	**12,239,850**	**12,239,850**
Other KMP						
Gill Webster	816,759	–	–	–	816,759	816,759
Jeff Carter	–	–	–	–	–	–
Total Other KMP	**816,759**	**–**	**–**	**–**	**816,759**	**816,759**

* Includes removal from table at date person resigned.

1. Mr Quinn's related party, Kaylara Pty Ltd, received 125,000 options in part consideration for advancing a loan to the Company. The options are exercisable at $0.40 on or before the fifth anniversary of the dates of issue Mr Quinn received 33,801 options in part consideration for converting the note held by him. Kaylara Pty Ltd received 63,548 options in part consideration for converting the loan advanced by Kaylara Pty Ltd to the Company. All conversion options were issued pursuant to the Conversion Offer and are exercisable at $0.30 on or before 13 December 2015.
2. Mr Collins received 2,875,000 options in part consideration for advancing loans to the Company. The options are exercisable at US$0.40 on or before the fifth anniversary of the dates of issue. Mr Collins received 437,287 options in part consideration for converting the note held by him. Mr Collins also received 1,466,666 options in part consideration for converting the loans advanced by him to the Company. The options issued pursuant to the Conversion Offer and are exercisable at $0.30 on or before 13 December 2015.
3. Mr Sneddon's related party, the Sneddon Family Trust, received 125,000 options in part consideration for advancing a loan to the Company. The options are exercisable at $0.40 on or before the fifth anniversary of the dates of issue. The Sneddon Family Trust received 63,548 options in part consideration for converting the loan advanced by the Trust to the Company. The options were issued pursuant to the Conversion Offer and are exercisable at $0.30 on or before 13 December 2015.

iii. The number of shares in the Company held by each director of the company and other KMP (including personally related parties) of the Group are set out below.

2015 – Shares	Balance at start of the year	Granted during the year as compensation	Received during the year upon exercise of options	Other changes during the year*	Balance at the end of the year
Directors					
Non-Executive					
Michael Quinn[1]	806,062	–	–	–	806,062
Christopher Collins[2]	25,899,139	–	–	–	25,899,139
Andrew Sneddon[3]	254,192	–	–	–	254,192
Elizabeth Hopkins	–	–	–	–	–
Executive					
Simon Wilkinson	50,000	–	–	–	50,000
Total Directors	**27,009,393**	**–**	**–**	**–**	**27,009,393**
Other KMP					
Gill Webster	–	–	–	–	–
Jeff Carter	–	–	–	–	–
Janette Dixon	–	–	–	–	–
Total Other KMP	**–**	**–**	**–**	**–**	**–**

2014 – Shares	Balance at start of the year	Granted during the year as compensation	Received during the year upon exercise of options	Other changes during the year*	Balance at the end of the year
Directors					
Non-Executive					
Michael Quinn[1]	416,667	–	–	389,395	806,062
Christopher Collins[2]	11,458,334	–	–	14,440,805	25,899,139
Andrew Sneddon[3]	–	–	–	254,192	254,192
Elizabeth Hopkins	–	–	–	–	–
Greg Moyle (resigned 20/9/13)	590,929	–	–	(590,929)	–
Executive					
Simon Wilkinson	50,000	–	–	–	50,000
Total Directors	**12,515,930**	**–**	**–**	**14,493,463**	**27,009,393**
Other KMP					
Gill Webster	–	–	–	–	–
Jeff Carter	–	–	–	–	–
Total Other KMP	**–**	**–**	**–**	**–**	**–**

* Includes removal from table at date person resigned.

1. Mr Quinn received 135,203 shares in part consideration for converting the note held by him. Mr Quinn's related party, Kaylara Pty Ltd, received 254,192 shares in part consideration for converting the loan advanced by Kaylara Pty Ltd to the Company. All shares were issued pursuant to the Conversion Offer.
2. Mr Collins received 1,749,147 shares in part consideration for converting the note held by him. Mr Collins also received 5,866,658 shares in part consideration for converting the loans advanced by him to the Company. All shares were issued pursuant to the Conversion Offer. Mr Collins also purchased 6,825,000 shares in the IPO.
3. Mr Sneddon's related party, the Sneddon Family Trust, received 254,192 shares in part consideration for converting the loan advanced by the Sneddon Family Trust to the Company. The shares were issued pursuant to the Conversion Offer.

iv. As part of the IPO, loyalty rights were issued in 2014 to those individuals and entities who were shareholders of the Company immediately prior to the IPO on the basis of one loyalty right for every three ordinary shares held prior to the IPO. The number of loyalty rights in the Company held by each director of the company and other KMP (including personally related parties) of the Group are set out below. There were no loyalty rights issued in 2015.

2014 – Loyalty rights	Granted during 2014	Balance at the end of year 2015
Directors		
Non-Executive		
Michael Quinn	138,889	138,889
Christopher Collins	3,819,445	3,819,445
Andrew Sneddon	–	–
Elizabeth Hopkins	–	–
Executive		
Simon Wilkinson	33,333	33,333
Total Directors	**3,991,667**	**3,991,667**
Other KMP		
Gill Webster	–	–
Jeff Carter	–	–
Janette Dixon	–	–
Total Other KMP	**–**	**–**

v. **Loans to Directors and Other Key Management Personnel**

There were no loans to any directors of the Company or other KMP of the Group during the financial year ended 31 March 2015.

vi. **Other Transactions with Directors and Other Key Management Personnel**

In 2014 consulting fees of $17,618 were paid to Director, Mr Moyle to investigate and evaluate capital raising opportunities in New Zealand prior to the Company's decision to migrate to Australia. No consulting fees were paid to Mr Moyle in 2015.

There were no other transactions with directors of the Company or other KMP of the Group during the financial year.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2015	2014	2013	2012	2011
EPS (cents)	(3.04)	(3.81)	(3.56)	(3.42)	(3.64)
Dividends (cents per share)	–	–	–	–	–
Net profit/loss ($000)	(5,237)	(4,495)	(3,388)	(3,256)	(2,442)
Share Price (cents)*	18.5	25	N/A	N/A	N/A

* Note – The Company was admitted to the official list of the ASX on 23 December 2013 and accordingly comparatives prior to that date are not available.

OPTIONS

At the date of this report unissued shares of the Group under option are:

Expiry Date	Exercise Price	Number as at 31 March 2015	Number exercised during year ended 31 March 2015	Number exercised post reporting date
17-Dec-15	AUD 0.30	5,846,110	–	–
1-Feb-16	NZD 0.20	1,752,648	–	–
22-Jul-17	USD 0.60	1,400,000	–	–
24-Sep-17	USD 0.40	1,250,000	–	–
14-Feb-18	USD 0.40	625,000	–	–
1-May-18	USD 0.40	625,000	–	–
15-Jul-18	USD 0.40	625,000	–	–
19-Sep-18	AUD 0.40	625,000	–	–
5-Nov-18	USD 0.40	2,250,000	–	–
5-Nov-18	AUD 0.45	4,500,000	–	–
20-Aug-19	AUD 040	1,750,000	–	–
22-Oct-19	AUD 0.40	3,020,000	–	–
		24,268,758	**–**	**–**

The ASX has classified 12,716,946 of the above options as restricted securities for a period of 24 months from the date of official quotation of the securities, being from 23 December 2013.

DIRECTORS' INTERESTS

Particulars of Directors' interests in shares and options as at the date of this report are as follows:

	Ordinary Shares[1]	Options[1]	Loyalty Rights[2]
Michael Quinn	806,062	1,722,349	138,889
Christopher Collins	25,899,139	6,028,953	3,819,445
Andrew Sneddon	254,192	1,188,548	–
Elizabeth Hopkins	–	1,000,000	–
Simon Wilkinson	50,000	4,050,000	33,333
	27,009,393	**13,989,850**	**3,991,667**

1. The ASX classified 9,369,703 of these ordinary shares and all of these options as restricted securities for a period of 24 months from the date of official quotation of the securities, being from 23 December 2013. In addition to the ASX imposed restriction on 9,071,167 shares held by Mr Collins, Mr Collins has provided the Company with written confirmation that he does not intend to deal in the remaining 16,827,972 shares held by him for the same period of 24 months.
2. Simultaneous with the issue of shares under the IPO in 2013, existing shareholders were issued 1 free Loyalty Right for every 3 shares held immediately prior to the IPO. A Right can be converted into a free share conditional upon the planned Phase 2B trial of MIS416 being successful. Otherwise, the Rights expire on 19 December 2016. Further details are disclosed in the Group's Replacement Prospectus dated 25 November 2013.

Further information regarding the above interests and net movements throughout the reporting period is disclosed in Note 9 (Related Parties) to the Financial Statements accompanying this Directors' Report.

MEETINGS OF DIRECTORS

During the financial year, meetings of directors (including committee meetings) were held.

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
Attendances were:	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Michael Quinn	13	13	–	–	2	2
Simon Wilkinson	13	13	–	–	–	–
Elizabeth Hopkins	13	13	8	7	–	–
Christopher Collins	13	13	–	–	2	2
Andrew Sneddon	13	13	8	8	–	–

AUDIT COMMITTEE

The Group has an Audit Committee. Details of the composition, role and Terms of Reference of the Audit Committee are contained in the Statement of Corporate Governance Practices accompanying this Report and are available on the Company's website at http://tinyurl.com/IIL-AuditCharter

During the reporting period, the Audit Committee consisted of the following Non-executive, Independent Directors:

Mr Sneddon (Chairman)

Mrs Hopkins

The Group's lead signing and review External Audit Partner, CEO, CFO and selected consultants attend meetings of the Audit Committee by standing invitation.

DIRECTORS' AND AUDITORS' INDEMNIFICATION

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

a. The Company entered into Deeds of Indemnity, Insurance and Access, dated 13 September 2013, in favour of directors Quinn and Sneddon, the Australia resident directors who joined the Board prior to the Company's migration to Australia.
b. The Company has paid premiums to insure all directors of the parent entity and officers of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

DIRECTORS' BENEFITS

Since 1 April 2014, no director has received or become entitled to receive a benefit because of a contract made by the Company, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of remuneration received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity, or related body corporate.

NON-AUDIT SERVICES

During the year, the external auditors, Grant Thornton, were engaged to assist the Company attain an R&D rebate for its expenditure on its lead drug candidate MIS416. They have been paid $17,000 so far in relation to this engagement. Grant Thornton were also engaged to provide tax advice and other accounting services and were paid $15,736 for these services.

AUDIT INDEPENDENCE

The lead auditor has provided the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 19 June 2015 and a copy of this declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Michael A Quinn	**Simon Wilkinson**
CHAIRMAN	CHIEF EXECUTIVE OFFICER

19 June 2015

Auditor’s Independence Declaration

for year ended 31 March 2015

GrantThornton

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Auditor’s Independence Declaration
To the Directors of Innate Immunotherapeutics Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Innate Immunotherapeutics Limited for the year ended 31 March 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 19 June 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2015

	Notes	Year ended March 2015 $	Year ended March 2014 $
Sales revenue		–	–
Other operating income		30,309	28,240
Total revenue and other operating income		30,309	28,240
Research and development expenses		(1,901,443)	(648,138)
Patent and associated expenses		(237,989)	(167,282)
Business development expenses		(139,764)	(51,910)
General and administration expenses		(1,422,938)	(1,123,835)
Depreciation & amortisation		(1,548,278)	(1,474,994)
Share based compensation (employee & non-employee)		(178,141)	(622,767)
Operating deficit before financing costs		(5,398,244)	(4,060,686)
Interest income		161,678	57,774
Financial expenses		(12)	(492,546)
Net financial expense		161,666	(434,772)
Loss before income tax expense		(5,236,578)	(4,495,458)
Income tax expense/(benefit)	12	–	–
Loss after income tax expense/(benefit)		(5,236,578)	(4,495,458)
Other comprehensive income/(loss)			
Exchange differences of foreign exchange translation		151,996	(25,157)
Income tax (expense)/benefit thereon			–
Total comprehensive loss		5,084,582	(4,520,615)
Basic and diluted earnings per share (weighted)	21	(3.0)	(3.8)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

for the year ended 31 March 2015

	Notes	Year ended March 2015 $	Year ended March 2014 $
Current assets			
Cash and cash equivalents	3	4,088,896	7,941,752
Accounts receivable		26,130	22,199
Prepayments		480,044	–
Other current assets		29,413	6,884
Total current assets		4,624,483	7,970,835
Non current assets			
Property, plant and equipment	6	160,407	161,132
Intangible assets	5	534,043	2,044,242
Total non current assets		694,450	2,205,374
Total assets		**5,318,933**	**10,176,209**
Current liabilities			
Accounts payable and accrued liabilities	7	452,896	403,731
Total current liabilities		452,896	403,731
Non current liabilities		**–**	**–**
Total liabilities		**452,896**	**403,731**
Equity			
Paid–in capital	16	110,223,013	110,223,013
Reserves		(597,354)	(927,491)
Accumulated losses		(104,759,622)	(99,523,044)
Total equity		**4,866,037**	**9,772,478**
Total equity and liabilities		**5,318,933**	**10,176,209**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2015

	Paid-in Capital $	Other Reserves $	Share Option Reserve $	Foreign Currency Translation $	Accumulated Losses $	Total equity $
Balance at 1 April 2013	96,583,675	8,700	429,780	(1,805,455)	(95,185,712)	30,988
(Loss) after income tax for the year	–	–	–	–	(4,495,458)	(4,495,458)
Other comprehensive (loss) after tax	–	–	–	(25,157)	–	(25,157)
Total comprehensive (loss)	–	–	–	(25,157)	(4,495,458)	(4,520,615)
Issue of share capital	14,720,691	–	–	–	–	14,720,691
Capital raising & listing costs	(1,081,353)	–	–	–	–	(1,081,353)
Issue of share options	–	–	622,767	–	–	622,767
Expired & exercised share options	–	–	(149,426)	–	149,426	–
Extinguishment of debt	–	(8,700)	–	–	8,700	–
	13,639,338	(8,700)	473,341	(25,157)	158,126	14,262,105
Balance at 31 March 2014	110,223,013	–	903,121	(1,830,612)	(99,523,044)	9,772,478
(Loss) after income tax for the year	–	–	–	–	(5,236,578)	(5,236,578)
Other comprehensive (loss) after tax	–	–	–	151,996	–	151,996
Total comprehensive (loss)	–	–	–	151,996	(5,236,578)	(5,084,582)
Issue of share options	–	–	178,141	–	–	178,141
	–	–	178,141	151,996	(5,236,578)	(4,906,441)
Balance at 31 March 2015	110,223,013	–	1,081,262	(1,678,616)	(104,759,622)	4,866,037

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2015

	Notes	Year ended March 2015 $	Year ended March 2014 $
Cash flows from Operating Activities			
Dividends received		330	312
Interest received		158,400	54,797
Rent received		30,055	27,928
Payments to suppliers		(3,300,089)	(1,084,795)
Payments to employees		(866,441)	(581,490)
Interest paid		(12)	(21,373)
Net cash outflow from operating activities	15	**(3,977,757)**	**(1,604,621)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,031)	(843)
Net cash inflow/(outflow) from investing activities		**(25,031)**	**(843)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		–	10,043,882
Capital raising and listing costs		–	(1,145,712)
Loan from shareholders		–	1,109,454
Repayment of borrowings		–	(576,631)
Net cash inflow from financing activities		**–**	**9,430,993**
Net increase/(decrease) in cash held		(4,002,788)	7,825,529
Foreign exchange effect on cash and cash equivalent balances		149,932	(710)
Cash at the beginning of the year		7,941,752	116,933
Cash at the end of the year		**4,088,896**	**7,941,752**
CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION			
Cash and cash equivalents	3	4,088,896	7,941,752
Closing cash balance		**4,088,896**	**7,941,752**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2015

TABLE OF NOTES

Notes to the Financial Statements

for the year ended 31 March 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements presented are for the entity Innate Immunotherapeutics Limited ("Innate") and its controlled entities as a consolidated entity (the "Group"). Innate is a listed public company, incorporated and domiciled in Australia on 11 October 2013. Innate was formerly a New Zealand domiciled company.

The financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS"). Innate is a for profit entity for the purposes of reporting under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of financial assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The functional currency of the Group is New Zealand dollars. The presentation currency of the Group is Australian dollars.

In applying Australian Accounting Standards management must make judgement regarding carrying values of assets and liabilities that are not readily apparent from other sources. Assumptions and estimates are based on historical experience and any other factors that are believed reasonable in light of the relevant circumstances. These estimates are reviewed on an ongoing basis and revised in those periods to which the revision directly affects.

All accounting policies are chosen to ensure the resulting financial information satisfies the concepts of relevance and reliability.

(b) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 Consolidated Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising with the consolidated entity are eliminated in full.

A list of controlled entities is found in Note 8 of the Financial Statements.

(c) Effect of New and Revised Standards

A number of new and revised standards are effective for annual periods beginning on or after 1 April 2014. None of these had a material impact on the financial statements of the Group.

A number of new and revised standards have been issued but are not yet effective. When these standards are adopted for the first time they are unlikely to have any significant impact on the Group.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, at call deposits with banks or financial institutions, bank bills and investments in money market instruments where it is easily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(e) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a diminishing value basis to expense the cost of the assets over their estimated useful lives as follows:

Leasehold improvements	4 to 13 years
Plant and equipment	4 to 11 years
Office furniture and fittings	2 to 13 years

Depreciation is charged to profit or loss within the Statement of Profit or Loss and Other Comprehensive Income and disclosed within "administration" expense. The residual value and useful life of property, plant and equipment is reassessed annually.

Repairs and maintenance and gains or losses on sale or disposal of assets are reflected in profit or loss within Statement of Profit or Loss and Other Comprehensive Income as incurred. Major renewals and betterments are capitalised.

(f) Foreign Currencies

Transactions denominated in foreign currencies are converted at the exchange rate current at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted at exchange rates current at reporting date. Foreign exchange gains or losses are included in profit or loss within the Statement of Profit or Loss and Other Comprehensive Income.

(g) Research and Development

Research expenses include direct and overhead expenses for drug discovery and research, pre–clinical trials and, more recently, for costs associated with clinical trial activities.

When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset (other intangible asset).

(h) Intangible Assets other than Goodwill

Other intangible assets relate to Intellectual Property acquired for use in research and development activity. The Intellectual Property has a finite life and is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss within the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the estimated useful life from the date available for use as follows:

Intellectual property	15 years

Amortisation is charged to the Statement of Profit or Loss and Other Comprehensive Income and disclosed within Administration expense. The useful life of the intellectual property is reassessed annually.

(i) Share Capital

Ordinary shares are classified as equity. Costs associated with the issue of raising capital are recognised in shareholders' equity as a reduction of the share proceeds received. Other expenses such as legal fees are charged to profit and loss within the Statement of Profit or Loss and Other Comprehensive Income in the period the expense is incurred.

(j) Earnings Per Share

Basic Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted Earnings Per Share

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

(k) Goods & Services Tax

The Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows have been prepared so that all components are presented exclusive of GST. All items in the Statement of Financial Position are presented net of GST, with the exception of receivables and payables, which include GST invoiced.

(l) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss within the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in Other Comprehensive Income, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Other Income

Other income is recognised to the extent that it is probable that the economic benefit will flow to the Group and the income can be reliably measured. Where amounts are received in respect of future product deliveries, such amounts are deferred until such time as the criteria above for recognition of revenue are met.

The Group's other income includes sub–lease rental and other sundry income. Income from sub–leased property is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight line basis over the term of the lease.

(n) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments.

Financing activities are those that result in changes in the size and composition of the capital structure. Cash is considered to be cash on hand and current accounts and demand deposits in banks, net of bank overdrafts.

Operating activities are all transactions and events that are not investing or financing activities.

(o) Share-Based Compensation

The Group operates equity–settled share–based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share–based payment are measured at their fair values. Where employees and directors are rewarded using share–based payments, the fair values of employees' and directors' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non–market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share–based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non–market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

(p) Impairment

The Group assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down and the impairment loss is recognised in profit or loss within the Statement of Profit or Loss and Other Comprehensive Income.

(q) Finance Income and Expenses

Finance income

Finance income comprises of interest income. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses

Finance expenses comprised of interest expense on borrowings. All borrowing costs are recognised in profit and loss of Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

(r) Operating Expenses

Operating expenses are recognised in profit or loss within the Statement of Profit or Loss and Other Comprehensive Income upon utilisation of the service or at the date of their origin.

(s) Operating Leases

Operating leases are leases whereby the lessor retains substantially all the risks and rewards of ownership. The lease payments are recognised as an expense in the periods the amounts are payable.

(t) Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

For financial instruments traded in active markets, the quoted market prices or dealer price quotations are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at reporting date.

Financial assets and liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement financial assets other than those designated as hedging instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The Group does not currently have any financial assets designated into this category.

Loans and Receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less impairment allowances.

The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

Trade and other receivables are considered for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms of the receivables. If there is objective evidence that impairment exists for individual loans and receivables, the impairment loss is calculated as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows using the original effective interest rate. Receivables with a short duration are not discounted.

Held-to-Maturity investments

Held–to–maturity investments are non–derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to–maturity if the Group has the intention and ability to hold them until maturity.

The Group does not currently have any financial assets designated into this category.

Available for Sale Financial Assets

Available–for–sale financial assets are non–derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The Group does not currently have any financial assets designated into this category.

Financial liabilities

The Group's financial liabilities include trade and other payables. All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

Derivative financial instruments

At the reporting date the Group did not undertake any form of hedge accounting.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging);

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data and yield curve information provided by the Group's bankers; and

Level 3: Valuation techniques for which significant inputs are not based on observable market data.

(u) Post Employment Benefits and Short Term Employee Benefits

The Group does not provide any post employment benefits. Short term employee benefits are included in current liabilities, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. There are no long term employee benefits.

(v) Segment Reporting

A segment is a component of the Group entity that earns revenues or incurs expenses whose results are regularly reviewed by the chief operating decision makers and for which discrete financial information is prepared. The Group has no operating segments, management review financial information on a consolidated basis. It has established entities in more than one geographical area, however the activities from these entities comparative to the Group are considered immaterial for the purposes of segment reporting.

(w) Going Concern

The financial statements have been prepared on a going concern basis after taking into consideration the net loss for the year of $5,236,578 and the cash and cash equivalents balance of $4,088,896. The going concern basis contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Group is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to monitor the ongoing funding requirements of the Group. The Directors believe that sufficient funds can be secured if required by a combination of capital raising, debt financing, licensing partnerships, sale of assets or joint ventures to enable the Group to continue as a going concern and as such are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

2. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5 – measurement of the recoverable amounts of the intangible assets
- Note 10 – measurement of share–based payments

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	March 2015 $	March 2014 $
Cash at bank (NZD)	35,550	5,364
Cash at bank (AUD)	110,364	1,300,613
Cash at bank (USD)	1,402	4,711
Demand deposits (NZD)	2,041,580	3,131,064
Short term deposits (AUD)	1,900,000	3,500,000
	4,088,896	7,941,752

Notes to the Financial Statements

for the year ended 31 March 2015

4. OPERATING LOSS

Operating loss from continuing activities is stated after crediting and charging:

		March 2015 $	March 2014 $
Crediting:			
Interest received		161,678	57,774
Charging:			
Foreign exchange loss		119,397	45,438
Depreciation	– Leasehold improvements	2,617	2,752
	– Plant and equipment	24,448	28,939
	– Office furniture and fittings	5,229	994
(Profit)/Loss on sale of property, plant and equipment		(213)	(234)
Amortisation of intangible assets		1,515,984	1,442,309
Interest expense		12	403,540
Rent and leasing expense		137,686	126,744
Employee benefits		1,013,092	669,163
Loss on debt repayment		–	135,817
Share based compensation	– employees & directors	178,141	536,274
	– non employee	–	86,493
Convertible notes derivative (gain)/expense		–	(46,811)

5. INTANGIBLE ASSETS

	March 2015 $	March 2014 $
Intellectual property		
Gross carrying amount		
Balance 1 April	22,997,647	19,682,094
Additions/disposals	–	–
Foreign currency translation	1,033,959	3,315,553
Balance 31 March	24,031,606	22,997,647
Accumulated amortisation		
Balance 1 April	20,953,405	16,620,429
Additions/disposals	–	–
Amortisation for the year	1,515,984	1,442,309
Foreign currency translation	1,028,174	2,890,667
Balance 31 March	23,497,563	20,953,405
Net intangible assets	534,043	2,044,242

The Group acquired a family of issued and pending patents relating primarily to the Group's former clinical programme in HIV. This specific intellectual property was acquired effective August 2000 through the issue of 6,247,662 ordinary shares of the Group and is recorded at cost, amortised over 15 years on a straight line basis, with a remaining life of 0.3 years. While the HIV clinical programme was abandoned in 2008, part of the originally acquired intellectual property was able to be amended such that a previous divisional patent application in the United States was subsequently granted in 2012. The granted patent (US 8,110,203) protects the use of MIS416 as an adjuvant, which continues to be a potential commercial application for the Group's technology. This issued patent expires 10 October 2017. Patents relating to the Company's current clinical programme and other applications of the Company's current technology, have terms of 20 years from priority dates in 2008 and 2009.

The ultimate realisation of the carrying value of intellectual property is dependent on the Group successfully developing its biopharmaceutical products so that it generates sufficient cash flows to recover the carrying value of this asset. The key assumptions when assessing whether there are any indications of impairment of the Group's overall intellectual property are as follows:

- The commercial market for drugs being developed by the Group.
- The reasonable cost of goods versus the likely selling prices of those drugs
- The availability of industry partners to assist with commercialisation.
- The preclinical and clinical data generated to date in support of the drug candidates
- The progress and status of the various patent applications
- The time to revenue verses the remaining life of the patents

On the above basis, the Directors believe that the carrying value of the Group's intangible assets has not been impaired.

Notes to the Financial Statements

for the year ended 31 March 2015

6. PROPERTY, PLANT & EQUIPMENT

	Leasehold Improvements $	Plant and Equipment $	Office Furniture and Fittings $	Total $
Gross carrying amounts				
Balance at 1 April 2013	93,760	764,725	28,289	886,774
Additions	–	–	895	895
Disposals	–	302	(1,740)	(1,438)
Foreign currency translation	15,794	128,520	4,766	149,080
Balance at 31 March 2014	109,554	893,547	32,210	1,035,311
Balance at 1 April 2014	109,554	893,547	32,210	1,035,311
Additions	–	9,471	16,858	26,329
Disposals	–	–	(979)	(979)
Foreign currency translation	4,927	40,489	1,449	46,865
Balance at 31 March 2015	114,481	943,507	49,538	1,107,526
Depreciation and impairment losses				
Balance at 1 April 2013	67,412	627,585	25,119	720,116
Depreciation for the year	2,752	28,939	994	32,685
Disposals	–	–	(1,586)	(1,586)
Foreign currency translation	11,530	107,241	4,193	122,964
Balance at 31 March 2014	81,694	763,765	28,720	874,179
Balance at 1 April 2014	81,694	763,765	28,720	874,179
Depreciation for the year	2,617	24,448	5,229	32,294
Disposals	–	–	(766)	(766)
Foreign currency translation	3,823	36,042	1,547	41,412
Balance at 31 March 2015	88,134	824,255	34,730	947,119
Carrying amounts				
At 31 March 2014	27,860	129,782	3,490	161,132
At 31 March 2015	26,347	119,252	14,808	160,407

At the reporting date no items of property, plant and equipment were held under finance leases (March 2013: nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 2015 $	March 2014 $
Trade accounts payables	75,097	89,743
Employee related payables	139,340	146,402
Other accruals	227,445	157,046
Preference shares unpaid	11,014	10,540
	452,896	403,731

8. SUBSIDIARIES

Entity	Principal Activity	Country of Incorporation	Percentage Owned (%) 2015	Percentage Owned (%) 2014
Head Entity				
Innate Immunotherapeutics Limited	Research & Development	Australia	N/A	N/A
Subsidiaries of Innate Immunotherapeutics Limited				
Innate Immunotherapeutics (NZ) Limited	Drug Manufacturing	New Zealand	100	100

9. RELATED PARTIES

(a) Parent Entity

The immediate parent and ultimate controlling party of the Group is Innate Immunotherapeutics Limited. Interests in subsidiaries are set out in Note 8.

10. SHARE BASED COMPENSATION

On 12 November 2103 a new Employee Plan was implemented (the "Employee Plan"). Under the terms of the Employee Plan, the Board nominates participants in the Employee Plan and in respect of each nomination the Board determines the number of options and exercise prices (which shall not be below the share price on the date of the grant). The Employee Plan establishes an Option Limit which is equal to 10% of the diluted ordinary share capital of the Company as at the date of issue.

Options granted are cancelled if not exercised within one month of the termination of the grantee's employment or association with the Company, except in certain situations such as death or disability, or at the discretion of the Board. All options are exercisable into ordinary shares on a one for one basis.

The fair value of options granted is estimated using the Black-Scholes option-pricing model. Unless otherwise stated, all categories of options adopt the same model as follows:

March 2015	Employees	Directors
Share price	$0.19	$0.21
Exercise price	$0.40	$0.40
Expected volatility	80%	80%
Option lives (at issue)	5 years	5 years
Expected dividend yield	0%	0%
Risk free interest rate	2.80%	2.92%

March 2014	Employees[1]	Directors
Share price	n/a	$0.20
Exercise price	n/a	$0.45-$0.48
Expected volatility	n/a	80%
Option lives (at issue)	n/a	5 years
Expected dividend yield	n/a	0%
Risk free interest rate	n/a	2.69%-4.30%

1. There were no options granted to employees during the year ended 31 March 2014.

	March 2015		March 2014	
	Number of options	Weighted Average Exercise price	Number of options	Weighted Average Exercise price
Employee Options				
Share options on issue at start of year	1,471,759	NZ$0.31	1,471,759	NZ$0.31
Share options granted	3,020,000	$0.40	–	–
Share options transferred	–	–	–	–
Share options exercised	–	–	–	–
Share options forfeited	–	–	–	–
Share options expired	(200,000)	NZ$1.00	–	–
Share options on issue at end of period	4,291,759	$0.34	1,471,759	NZ$0.31
Share options exercisable at end of period	1,471,759	$0.21	1,456,759	NZ$0.31
Weighted average remaining contractual life (years)		1.3yrs		1.6yrs

	March 2015		March 2014	
	Number of options	Weighted Average Exercise price	Number of options	Weighted Average Exercise price
Directors Options				
Share options on issue at start of year	5,800,000	$0.50	1,400,000	US$0.60
Share options transferred (non- employee)	–	–	(100,000)	US$0.60
Share options granted	1,750,000	$0.40	4,500,000	$0.45
Share options forfeited	–	$0.00	–	$0.00
Share options exercised	–	$0.00	–	$0.00
Share options expired	–	$0.00	–	$0.00
Share options on issue at end of period	7,550,000	$0.49	5,800,000	$0.50
Share options exercisable at end of period	5,800,000	$0.52	5,800,000	$0.50
Weighted average remaining contractual life (years)		3.6yrs		4.2yrs

The above details relate to share based compensation granted to employees and directors. Share based compensation granted as consideration for loans by directors, which were granted to them in their capacity as financiers, are separately included within the Financing Options table below.

Share based compensation granted as part of financing arrangements during 2014 (2015: Nil) was:

	March 2015		March 2014	
	Number of options	Weighted Average Exercise price	Number of options	Weighted Average Exercise price
Financing Options				
Share options on issue at start of year	6,580,889	0.43	6,449,264	$0.14
Share options granted			4,125,000	$0.42
Share options transferred	–		100,000	US$0.60
Share options exercised	–		(4,000,000)	US$0.01
Share options expired	–		(93,375)	NZ$1.00
Share options on issue at end of period	6,580,889	$0.43	6,580,889	$0.43
Share options exercisable at end of period	6,580,889	$0.43	6,580,889	$0.43
Weighted average remaining contractual life (years)		3.0yrs		4.0yrs

11. SEGMENT INFORMATION

The Group has no operating segments as management review financial information on a consolidated basis. Clinical trialling activity in support of the Group's drug R&D previously took place in New Zealand but subsequent to the migration of place of incorporation to Australia, is being conducted in Australia. Preclinical R&D, drug manufacturing, and day to day administration are carried out in New Zealand.

	March 2015		March 2014	
	Revenue	Non-current Assets	Revenue	Non-current Assets
Australia	–	–	–	–
New Zealand	30,309	694,450	28,240	2,205,374
	30,309	694,450	28,240	2,205,374

12. PROVISION FOR INCOME TAX

In assessing the reliability of deferred tax assets, management considers whether it is probable that all of the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income and compliance with continuity of ownership requirements.

Based upon the level of projections for future taxable income over the periods in which the temporary differences are available to reduce income taxes payable, and uncertainties over continuity of ownership having regard to the Company's recent equity raising, management has established a valuation provision for the full amount of the deferred tax assets related to the net operating loss carried forward.

The Company has continued it's operations in New Zealand and has maintained it's branch residency in New Zealand for tax purposes. As outlined in Note 1, the Group has maintained it's functional currency in New Zealand dollars but has presented it's financial position and results in Australian dollars. The statutory tax rate in New Zealand is 28% (2014: 28%).

The provision for income taxes for continuing operations differs from the amount computed by applying the statutory rates to the Company's earnings from continuing operations before taxes as a result of the following differences:

	Year ended March 2015 $	Year ended March 2014 $
Loss before taxation	(5,236,578)	(4,495,458)
Provision for income taxes at statutory rates	(1,466,242)	(1,258,728)
Tax effect of permanent differences		
– Amortisation of intellectual property	424,476	403,847
– Share based compensation	49,879	174,375
– Other non-deductible/(non-assessable) items	34	112,641
– Unrecognised tax losses	991,853	567,865
Income tax expense	–	–

The tax effect of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	Year ended March 2015 $	Year ended March 2014 $
Current assets:		
Provision for holiday pay	25,443	17,214
– Provision for site restoration	5,185	5,244
– Other accruals	14,428	23,555
– Deferred research and development costs	1,140,848	615,344
Non-current assets:		
– Intellectual property	1,816,338	1,769,543
– Net operating loss to carry forward	1,767,214	1,389,413
Total deferred tax assets at 28%	4,769,456	3,820,313
Deferred tax not recognised	(4,769,456)	(3,820,313)
Net deferred tax asset	–	–

13. OPERATING LEASES

Minimum non-cancellable lease payments are as follows:

	Year ended March 2015 $	Year ended March 2014 $
Within one year	132,041	49,101
One- two years	32,649	–
	164,690	49,101

One property is 25% sub-leased for the same period as the original lease with the landlords. The minimum stream of rental income from this sub-lease is as follows:

Within one year	24,487	10,081
One- two years	8,162	–
	32,649	10,081

14. COMMITMENTS AND CONTINGENT LIABILITIES

Intellectual Property Royalties – Vendors

In conjunction with the acquisition of the intellectual property, the Group granted the vendors royalties from the future net revenues which may be derived from the use of the intellectual property which includes the use of MIS416 and any improvements thereto. The royalty agreements have a term of 20 years commencing August 2000, and the royalties, which are payable quarterly, amount to 6% (March 2014: 6%) of net revenues to a maximum aggregate royalty of US$100 million (March 2013: US$100 million) payable quarterly. Of the total 6% total royalties, 1.75% expires August 2020, 1% expires September 2020 and 3.25% expires August 2022.

Claim for Royalties

The Group has received a claim from Dr Gelder for royalties he believes are due to him on certain products made and commercialised by the Company. The Company has informed Dr Gelder that in the Company's view there has been no commercialisation of products which are subject to the Royalty Agreement between the parties and accordingly there are no royalties due under the Agreement. Dr Gelder has subsequently filed a legal claim and the matter is expected to be heard in August 2015. The amount being claimed by Dr Gelder cannot be reliably quantified at this point of the proceedings. The Company does not believe there is any substance to Dr Gelder's claims and is defending the claim accordingly.

Clinical Trial

The Group has entered into a master services agreement with INC Research in relation to the provision of clinical research and related services, more specifically the management of the Group's planned Phase 2B trial of MIS416 in patients with SPMS. In the event that the trial is terminated prior to completion, INC Research is entitled to a cancellation fee of 5% of the remainder professional fees that would otherwise be incurred.

Collaborations

The Group has not entered into any formal collaborative arrangements that give rise to significant contingencies or capital commitments as at 31 March 2015 (March 2014: Nil).

15. RECONCILIATION OF NET DEFICIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended March 2015 $	Year ended March 2014 $
Net Deficit after Tax	(5,236,578)	(4,495,458)
Non Cash Items:		
Depreciation	32,294	32,685
Amortisation of intangibles	1,515,984	1,442,309
Movement in convertible notes and RPS	–	466,064
Loss on repayment of convertible notes and RPS	–	135,817
(Gain)/Loss on sale of assets	160	(234)
Share based compensation	178,141	622,767
Non cash shareholder loan interest	–	74,381
Changes in Working Capital:		
Accounts receivable and prepayments	(516,923)	(5,038)
Accounts payable and accruals	49,165	127,465
Income taxes payable/(receivable)	–	(5,379)
Net Cash Outflow From Operating Activities	(3,977,757)	(1,604,621)

16. SHAREHOLDERS' EQUITY

Ordinary Shares

At 31 March 2015, 172,479,822 ordinary shares (March 2014: 172,479,822) were issued and fully paid. All ordinary shares rank equally as to voting, dividends and liquidation. There are no reserved shares of the Group. The shares have no par value.

	March 2015		March 2014	
	No. of shares	$	No. of shares	$
At start of the period	172,479,822	110,223,013	95,095,777	96,583,675
Shares issued (net of share issue costs)	–	–	77,384,045	13,639,338
At end of period	172,479,822	110,223,013	172,479,822	110,223,013

Shares Issued

No shares were issued during 2015.

During 2014, 77,384,045 new shares were issued in total. Of this total, 4,000,000 shares were issued upon the exercise of 4,000,000 share options, 50,000,000 shares were issued under the Initial Public Offering, and 23,384,045 shares were issued to convert debt under the Conversion Offer.

Options

The Company has on issue 24,268,758 share options to employees, directors and non-employees as at 31 March 2015 (March 2014: 19,698,758).

Share Based Compensation

The movement in fair value of employee, director and non-employee share options of $178,141 (2014: $622,767) corresponds with the amount recorded in expenses during the period and represents the fair value of vested and issued options.

Loyalty Rights Issued

As part of the IPO in 2014, 33,031,926 loyalty rights were issued to those individuals and entities who were shareholders of the Company immediately prior to the IPO on the basis of one loyalty right for every three ordinary shares held prior to the IPO. The loyalty rights will vest if the Company receives the final clinical study report relating to the Company's Phase 2B trial of its drug candidate in patients with SPMS and concludes that the drug is safe, reasonably well tolerated (or better), and recommends that the drug be further investigated in Phase 3 trial. The Company, in its sole discretion, will determine if the vesting condition has been satisfied. Each vested loyalty right has an exercise price of nil and can be converted into one ordinary share. The loyalty rights are not transferrable and expire on 19 December 2016.

Share Option Reserve

The share option reserve is used to record the fair value of options as at each reporting date. The values of options are transferred between equity components as they vest.

Other Reserves

Other reserves are used to record the value of compound financial instruments valued as the time of issue.

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to allow for translation differences on conversion from the functional currency to the presentational currency.

17. FINANCIAL INSTRUMENTS

Categories of financial instruments, including fair value of financial instruments

The classification of each class of financial assets and liabilities, and their fair values are as follows:

	March 2015		March 2014	
	Carrying Amounts $	Fair Value $	Carrying Amounts $	Fair Value $
Non derivative financial assets				
Loans and Receivables				
i. Cash and cash equivalents	4,088,896	4,088,896	7,941,751	7,941,751
ii. Accounts receivable	26,130	26,130	22,199	22,199
iii. Other receivables	–	–	–	–
Non derivative financial liabilities				
At Amortised Cost				
i. Accounts payable and accrued liabilities	452,896	452,896	403,731	403,731
ii. Loans from shareholders	–	–	–	–
iii. Redeemable preference shares	–	–	–	–
iv. Convertible notes (Level 3)	–	–	–	–

Financial Risks

The financial risks associated with the Group's financial assets and liabilities include credit risk, interest rate risk, liquidity risk and currency risk.

Credit Risk – Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, investments, loans and receivables. The maximum credit risk is the face value of these financial instruments. However, the Group considers the risk of non-recovery of these accounts to be minimal.

Maximum Risk Exposure – The maximum credit risk exposures are the carrying amounts of the financial assets and financial liabilities listed under the *"Categories of Financial Instruments, including Fair Value of Financial Instruments"* table. No financial assets are either past due or impaired. There are no collateral and other credit enhancements for the financial assets.

Currency Risk – Currency risk is the risk of loss to the Group arising from adverse changes in foreign exchange rates. The Group now has an Australian dollar presentation currency and is exposed to currency risk in respect of amounts held in foreign currency bank accounts and demand deposits. At 31 March 2015 the Group held NZ$2,122,770 (2014: NZ$3,349,451) in such accounts and deposits. Should exchange rates strengthen by 10% this would have an impact of A$188,830 (2014: A$285,000).

Interest Rate Risk – Interest rate risk is the risk of loss to the Company arising from adverse changes in interest rates. The Group has no interest bearing debt and is only exposed to interest rate risk in respect of amounts held in bank current accounts and demand deposits. At 31 March 2015, the Group held $3,941,582 (2014: $6,631,064) in such accounts and deposits. A 50 basis points (0.5%) decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For each interest rate movement of 50 basis points lower, assuming all other variables were held constant, the Group's loss for the year would increase by $20,000 (2014: $33,000).

Liquidity Risk – Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Group's non-derivative and derivative financial liabilities have contractual maturities as summarised below:

		Contractual cash flow maturities				
	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
2015 March						
Accounts payable and accrued liabilities	452,896	452,896	452,896	–	–	–
	452,896	**452,896**	**452,896**	**–**	**–**	**–**
2014 March						
Accounts payable and accrued liabilities	403,731	403,731	403,731	–	–	–
	403,731	**403,731**	**403,731**	**–**	**–**	**–**

On 13 December 2013 all redeemable preferences shares, convertible notes and loans from shareholders were either converted into company shares or were fully repaid. As at 31 March 2015 the Group had no such liabilities other than $10,540 of unpaid RPS due to holders not being contactable and accordingly liquidity risk is minimal.

18. AUDITORS REMUNERATION

	March 2015 $	March 2014 $
Audit and review of financial statements		
Grant Thornton – Australia	43,000	33,000
Overseas Grant Thornton network firms	–	9,205
Remuneration for audit and review of financial statements	**43,000**	**42,205**
Other Services		
Grant Thornton Australia		
Consultancy and advise IPO – Australia	–	17,500
Assistance on preparation of R&D rebate	17,000	–
Overseas Grant Thornton network firms		
Accounting services	9,259	8,864
Taxation compliance	6,477	12,416
Total other service remuneration	**32,736**	**38,780**
Total auditor's remuneration	**75,736**	**80,985**

19. EARNINGS PER SHARE

Both basic and diluted earnings per share ("EPS") have been calculated in accordance with paragraph 9 and 18 of AASB 133 using the loss attributable to shareholders of the Group as the numerator (i.e. no adjustments to loss were necessary in 2014 or 2015).

The weighted average number of shares for both basic and diluted EPS in 2015 was 172,479,822 (2014: 117,917,680).

Options and loyalty rights have not been included in the weighted average number of ordinary shares outstanding for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion under AASB 133. Options and loyalty rights are non-dilutive as the Group result was a loss.

	March 2015	March 2014
Basic EPS – cents	(3.0)	(3.8)
Diluted EPS – cents	(3.0)	(3.8)

20. CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure that the Group has sufficient cash to continue as a going concern. Until such time as the Group produces revenues from sales or out-licensing, cash principally comes from the issue of new securities to new and/or existing shareholders.

When pricing such new share issues, the Board takes into account multiple factors including:

- Market conditions for high risk investments;
- Estimation of current market value of the Group's IP;
- The dilution effect of new issues on existing shareholders; and
- Whether or not the new issue is restricted to existing shareholders.

The Group estimates that approximately $7,700,000 will be required to complete the Phase 2B clinical trial of MIS416. The Group expects that in excess of $3,300,000 should be received as a rebate on the research and development in relation to the Phase 2B trial of MIS416 and this will also be used to part fund the Phase 2B clinical trial and operational expenses. The potential future rebate associated with this research and development expenditure to 31 March 2015 has not been included in the financial results to 31 March 2015.

Management has no plans to pay a dividend to the holders of ordinary shares until, at the earliest, such time as the Company produces internally generated revenues.

The Group is not subject to externally imposed capital requirements.

21. SUBSEQUENT EVENTS

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

for the year ended 31 March 2015

In the opinion of the Directors of Innate Immunotherapeutics Limited:

a. The Consolidated Financial Statements and Notes of Innate Immunotherapeutics Limited are in accordance with the Corporations Act 2001, including
   i. Giving a true and fair view of its financial position as at 19 June 2015 and its performance for the financial year ended on that date; and
   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
b. There are reasonable grounds to believe that Innate Immunotherapeutics will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 19 June 2015.

Note 1 confirms that the Consolidated Financial Statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Michael A Quinn
CHAIRMAN

Simon Wilkinson
CHIEF EXECUTIVE OFFICER

Dated the 19 of June 2015

Independent Auditor’s Report

for the year ended 31 March 2015

GrantThornton

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Independent Auditor’s Report
To the Members of Innate Immunotherapeutics Limited

Report on the financial report

We have audited the accompanying financial report of Innate Immunotherapeutics Limited (the “Company”), which comprises the consolidated statement of financial position as at 31 March 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors’ responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Innate Immunotherapeutics Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1(w) to the financial statements which notes an operating loss after tax of $5,236,578 for the year ended 31 March 2015. This condition, along with other matters set forth in Note 1(w), indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 5 to 17 of the directors' report for the year ended 31 March 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Innate Immunotherapeutics Limited for the year ended 31 March 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 19 June 2015

Shareholder Information

as at 17 June 2015

a. Number of IIL shareholders **2,526**
b. Total shares issued **172,479,822**
c. Percentage of total holdings by or on behalf of the 20 largest shareholders **50.69%**
d. Distribution schedule of holdings

	Ordinary Shares
1 – 1,000	392
1,001 – 5,000	732
5,001 – 10,000	354
10,001 – 100,000	856
100,001 and over	202
less than marketable parcel	915

e. Voting rights: Every member present personally or by proxy or attorney etc, shall, on a show of hands, have one vote and on a poll shall have one vote for every share held.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES

Rank	Name	Shares	%
1.	Christopher Collins	25,899,139	15.02
2.	National Nominees Limited	16,412,727	9.52
3.	Picton Cove Pty Ltd	4,791,989	2.78
4.	Patricia Watkins + Michael Pollard + John Phibbs <Watkins Family A/C>	3,777,500	2.19
5.	Probe International Inc	3,692,689	2.14
6.	Fast Forward LLC	3,500,000	2.03
7.	Ross Arthurs <Ttee FBO Glenn W Arthurs Grant>	3,447,371	2.00
8.	Caitlin Collins	3,200,000	1.86
9.	Cameron Collins	3,200,000	1.86
10.	Mr Neil Ross Brown	2,798,192	1.62
11.	Thomas Massung	2,620,415	1.52
12.	Glenn Arthurs	2,435,289	1.41
13.	Chep Ii LLC	2,225,319	1.29
14.	Cubrc Inc	2,080,566	1.21
15.	Probe International Inc IP	1,803,573	1.05
16.	Alan + Beverley Wiltshire + David Rishworth <Wiltshire Family A/C>	1,361,999	0.79
17.	Rubi Holdings Pty Ltd <John Rubino S/F A/C>	1,164,796	0.68
18.	James D Dixon	1,076,663	0.62
19.	Thomas McMahon + Ann McMahon	1,021,490	0.59
20.	John Hoffman	918,254	0.53
		87,427,971	**50.69**

Substantial Shareholders	Shares to Which Entitled	% of Issued Capital
Christopher Collins	25,899,139	15.02
Australian Ethical Investment	15,000,000	8.70

Corporate Directory

INNATE IMMUNOTHERAPEUTICS LIMITED

ABN 16 165 160 841

A public company incorporated in Victoria and listed on the Australian Securities Exchange (Code: IIL).

Directors

Michael Quinn (Non-Executive Chairman)

Simon Wilkinson (Managing Director & CEO)

Elizabeth Hopkins (Non-Executive Director)

Christopher Collins (Non-Executive Director)

Andrew Sneddon (Non-Executive Director)

Andrew J. Cooke (Company Secretary)

Registered Office

Suite 4.01
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Telephone: + 61 2 8003 3650
Web Site: www.innateimmunotherapeutics.com

New Zealand Office

4B Walls Road
Penrose
Auckland 1061 New Zealand

Telephone: + 64 9 525 0532

Auditors

Grant Thornton Audit Pty Ltd
Australia

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

Telephone: 1300 850 505 (within Australia)
+ 61 3 9415 4000 (outside Australia)
Facsimile: + 61 2 8235 8150
Web Site: ww.investorcentre.com/contact

In accordance with ASX Listing Rule 4.10.19, the Company confirms that for the reporting period from 1 April 2014 to the end of its financial year ended 31 March 2015, it used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way consistent with its business objectives.

Innate
Immunotherapeutics