

ASX RELEASE

23 March 2018

Innate Immunotherapeutics refocuses on immuno-oncology and announces acquisition of two novel cancer drug candidates

Innate Immunotherapeutics Limited (ASX Code: IIL) is pleased to announce that it has entered into a conditional agreement with the shareholders of Amplia Therapeutics Pty Ltd (Amplia) to acquire all of the shares of Amplia in consideration for the issue of Innate ordinary shares. In acquiring Amplia, Innate will acquire that company's Focal Adhesion Kinase (FAK) cancer programme. FAK is emerging as a promising target in cancer therapy.

"Prior to the Company's recently terminated clinical development of MIS416 for multiple sclerosis, we were also positioning our immune modulating drug as a potential anti-cancer co-therapy" said Innate's CEO Simon Wilkinson. "In parallel with our MS programme, we monitored the rapid developments in the immuno-oncology field and continued to support various long running collaborations in the cancer co-therapy space." "Refocusing on this existing area of our business is a logical move for the Company and we are particularly excited to be pursuing certain cancers where the immune system could play an important role in successful treatment strategies" said Mr Wilkinson.

Amplia has in-licensed two FAK targeting drug candidates (currently referred to as AMP886 and AMP945) from Cancer Research Technology Limited, a wholly owned subsidiary of Cancer Research UK. The drug candidates were originally developed by the Melbourne based Cancer Therapeutics Cooperative Research Centre (CTx). The CRC Program, is an Australian Government initiative supporting end-user driven research collaborations to address the major challenges facing Australia.

"There have been multiple independent high-quality publications suggesting that the successful targeting of FAK could increase the efficacy of other immuno-oncology therapies in tumours where to date they have limited anti-tumour effects as single agents" said Innate director Dr Robert Peach who led the Company's technical review of the drug candidates. "CTx have done an excellent job selecting and characterizing AMP886 and AMP945 before licensing them to Cancer Research Technology Limited. I was impressed at the thoroughness of their work".

Amplia is a privately owned Melbourne-based biopharmaceutical company. Subject to approval by the shareholders of both Innate and Amplia, Innate will acquire all the shares of Amplia in exchange for new ordinary shares to be issued by Innate. Following settlement, Amplia shareholders will own 45% of the total issued capital of Innate and Innate expects to have approximately \$2 million cash in hand and no debt. The Board and management of the Company will include representatives from the current Innate team and the Amplia team.

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In the short term and using existing financial resources, the Company will focus on reviewing opportunities for MIS416 and advancing the preclinical development of at least one of the two Amplia drug candidates with a view to being 'Phase 1 ready' within approximately 12 months.

Shareholder approval of the proposed transaction will be sought at a General Meeting to be held at 11am on Thursday 26th April at Level 17, 383 Kent St, Sydney. Shareholder approval will also be sought for a ten into one consolidation of the issued capital of the Company. The Notice of Meeting for this General Meeting is expected to be despatched on Wednesday 28th March.

Attached to this announcement are further details concerning the proposed transaction, as required by ASX Listing Rule 11.1.

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For Further Information:

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Information regarding agreement to acquire the entire issued capital of Amplia Therapeutics Pty Limited as required by ASX Listing Rule 11.1

1. The Proposed Transaction

1.1 Overview

Innate Immunotherapeutics Limited (**Innate** or **the Company**) has entered into a conditional agreement to acquire the entire issued capital of Amplia Therapeutics Pty Limited ACN 612 556 948 (**Amplia**) in consideration for the issue of Innate ordinary shares (**IIL Ordinary Shares**) to the shareholders of Amplia (**Amplia Shareholders**) (**Proposed Transaction**).

The Proposed Transaction is subject to approval by the Innate shareholders (**Innate Shareholders**) under ASX Listing Rule 11.1.2, which will be sought at a General Meeting to be held on 26 April 2018.

1.2 Amplia

Amplia is a preclinical private company which has in-licensed certain intellectual property and knowhow with respect to two Focal Adhesion Kinase small molecule inhibitors (AMP886 and AMP945 - **Drug Candidates**) which also have potential applications in the field of combination therapies to treat a range of cancers.

1.3 Application of ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that if a company proposes to make a significant change to the nature or scale of its activities it must notify ASX and, if required by ASX, obtain the approval of Shareholders for those changes.

1.4 The Proposed Transaction and the change in the scale of the Company's activities

On completion of the Proposed Transaction:

- (a) the Amplia Shareholders will hold in aggregate 45% of the total number of IIL Ordinary Shares on issue after Completion; and
- (b) the Board will consist of 3 directors nominated by the Company and 3 directors nominated by Amplia (see below for the composition of the Board).

The ASX has confirmed its view that the Proposed Transaction will not give rise to a change in scale of the Company's activities.

1.5 The Proposed Transaction and the change in the nature of Innate's activities

The ASX has confirmed its view that the Proposed Transaction involves a significant change in the nature of the Company's activities, because:

- (a) the Company's drug candidate MIS416 was the subject of clinical trials for application in Secondary Progressive Multiple Sclerosis, whereas after the Proposed Transaction the Company will focus on the field of immuno-oncology; and
- (b) following the Company's Phase 2B trial results, the Company had scaled down its operations by discontinuing the Company's New Zealand based day to day scientific and drug manufacturing activities.

That being said, there will be considerable continuity in the activities of the Company after completion of the Proposed Transaction:

- (a) although the Company's drug candidate MIS416 was previously the subject of clinical trials for application in Secondary Progressive Multiple Sclerosis, MIS416 also has potential applications in immuno-oncology;
- (b) the Company has previously provided samples of MIS416, and scientific expertise, to 2 university research programs in the immuno-oncology field; and
- (c) the application of MIS 416 in immuno-oncology will be further explored in conjunction with Amplia's Drug Candidates, AMP886 and AMP945.

The Company's core business has been, and continues to be, the clinical development of drugs to treat diseases where there is a significant unmet patient need.

1.6 Listing Rule 11.1.3

The Company sought in-principle advice from ASX and the ASX confirmed that it will not exercise its discretion to require the Company to apply for re-admission as a result of the Proposed Transaction..

1.7 Conditions Precedent

Completion of the Transaction (**Completion**) is subject to a number of conditions precedent set out in the share purchase agreement (**Share Purchase Agreement**):

Conditions Precedent	
1.	There being no material breach of any of the warranties set out in the Share Purchase Agreement and there being no facts or circumstances that may reasonably be expected to lead to a material breach of any of those warranties.
2.	The IIL Shareholders approving the resolutions set out in the Notice of General Meeting.
3.	The Company being satisfied with its due diligence investigations in respect of Amplia.
4.	The Amplia Shareholders being satisfied with their due diligence investigations in respect of the Company.
5.	The Company receiving from ASX written confirmation that ASX will not require the Company to apply for re-admission to the official list of the ASX.
6.	The Amplia Shareholders have obtained written evidence to the reasonable satisfaction of the Company of the consent of each counterparty to each of the material contracts (as defined in the Share Purchase Agreement) to the change of control of Amplia as contemplated in by the Transaction.
7.	Those Amplia Shareholders who have not signed the Share Purchase Agreement agree in writing to transfer their shares to the Company on the terms set out in the Share Purchase Agreement
8.	Each Amplia shareholder having executed a restriction agreement.
9.	Any person whose consent is required to the sale of the entire issued share capital of Amplia to the Company has been obtained on terms satisfactory to the Company.

Conditions Precedent	
10.	No claim, suit, order, injunction, writ or other proceeding (including any application to the Australian Takeovers Panel) preventing or seeking to prevent Completion or any transaction contemplated by the Share Purchase Agreement has been issued or commenced, or is pending or threatened against any party.
11.	No prescribed event (as defined in the Share Purchase Agreement) having occurred in relation to either the Company or Amplia.
12.	The Company providing evidence that it will have approximately \$2m in cash reserves (net of liabilities) as at 30 April 2018.
13.	Amplia providing evidence that it will have no outstanding loans or accounts payable in excess of 45 days from the date of the invoice as at Completion.

Condition 5 has been satisfied as at the date of this announcement.

As of the date of this announcement, the Directors are not aware of any reason why any of the outstanding conditions above will not be satisfied on or before the time required under the Share Purchase Agreement. The Directors will keep the Innate Shareholders and the ASX advised in this regard at all relevant times, including as to the outcome of the vote by Innate Shareholders at the General Meeting.

If all of the conditions are not satisfied in accordance with the Share Purchase Agreement then unless the parties otherwise agree, the Share Purchase Agreement will be terminated and the Amplia Acquisition will not proceed.

2. Impact of Transaction

2.1 Statement of financial position

This table demonstrates the financial position of Innate Immunotherapeutics Limited as provided in its half yearly report dated 30 September 2017, and the impact of the transaction on those metrics.

A	B	C	D	E
Particulars	Before transaction	Increase/Decrease due to transaction	After transaction	Percentage change due to transaction
<i>Method of Calculation</i>	<i>Six months to 30 Sept 17 \$000</i>	<i>Actual Increase/ Decrease due to transaction \$000</i>	<i>B +/- C</i>	<i>C/B</i>
Total Consolidated Asset	4,689	3,836 ¹	8,525	81.8%
Total Equity Interests	4,143	3,836	7,979	92.6%
Total Securities on Issue	22,562,599 ²	18,460,308	41,022,907	81.8%
Half Year Profit	(2,495)	0	(2,495)	0%
Half Year Revenue	674	0 ³	674	0%

¹ This is a notional figure, based on the proportional value attributed to Amplia (45% of the combined group).

² Assuming consolidation of every 10 IIL Ordinary Shares on issue to 1 IIL Ordinary Share.

³ Amplia is a non-trading, asset-holding company and therefore has not received any revenue or incurred any operational expenses.

2.2 Effect of issue on the Company's share capital

At the date of this announcement, the Company has on issue a total of 225,625,991 fully paid IIL Ordinary Shares.

The proposed share consolidation will be implemented after the General Meeting if all resolutions are passed, and will result in the Company having on issue a total of 22,562,599 IIL Ordinary Shares, subject to rounding of fractional entitlements.

Following Completion, the Company's share capital will comprise the following:

- (a) 22,562,599 IIL Ordinary Shares continued to be held by IIL Shareholders (who were IIL Shareholders immediately prior to Completion);
- (b) 18,460,308 consideration shares (being IIL Ordinary Shares) issued to the Amplia Shareholders (Consideration Shares); and
- (c) 2,088,500 options to purchase IIL Ordinary Shares.

If approved, the issue of the IIL Ordinary Shares to the Amplia Shareholders will result in those shareholders obtaining a cumulative voting power in the Company of 45%. The full names of each Amplia shareholder, together with details of their current and post-Completion holdings in the Company are set out in the table below:

<i>Name</i>	<i>Number of IIL Ordinary Shares held after the Share Consolidation</i>	<i>Number of Consideration Shares to be issued</i>	<i>Total number of IIL Ordinary Shares post-Completion</i>	<i>Resultant post-Completion % holding in the Company</i>
Elk River Holdings Pty Ltd	Nil	2,492,142	2,492,142	6.08%
Christopher John Burns	Nil	2,215,237	2,215,237	5.40%
Cancer Research Technology Limited	Nil	1,360,524	1,360,524	3.32%
Cancer Therapeutics CRC Pty Ltd	Nil	309,210	309,210	0.75%
CTxT Pty Ltd	Nil	4,514,468	4,514,468	11.00%
Falkenheim Pty Ltd (ACN: 158 108 500) as trustee for The Slizys Business Trust (TFN 952 274 329)	Nil	184,603	184,603	0.45%
Kinetic State Pty Ltd (as trustee for the Mimilene Family Trust)	Nil	184,603	184,603	0.45%
Margaret Frame	Nil	923,016	923,016	2.25%
Mark Devlin	Nil	2,215,237	2,215,237	5.40%
Mark Sullivan t/a AEMS Consulting	Nil	166,1428	1,661,428	4.05%
Photo Genius Pty Ltd ATF The Farris Family Trust	Nil	184,603	184,603	0.45%
Neil Carragher	Nil	553,809	553,809	1.35%
Warwick Tong	Nil	166,1428	1,661,428	4.05%
TOTAL	Nil	18,460,308	18,460,308	45.00%

2.3 Board and Senior Management of the Company

Subject to approval of the resolutions in the Notice of General Meeting and Completion occurring, Christian Behrenbruch, Warwick Tong, Christopher Burns and Andrew Cooke will join the Board with effect from Completion. In conjunction with these appointments, Andrew Sneddon, Michael Quinn, Christopher Collins and Elizabeth Hopkins will resign as Directors with effect from Completion.

Immediately following Completion, the Board of the Company will comprise the following Directors:

- (a) Simon Wilkinson (Chairman of the Board);
- (b) Andrew Cooke;
- (c) Robert Peach;
- (d) Christian Behrenbruch;
- (e) Warwick Tong; and
- (f) Christopher Burns.

Immediately following Completion, the senior management team will comprise:

- (a) Simon Wilkinson (Chief Executive Officer); and
- (b) Mark Devlin (Chief Scientific Advisor).

3. Key Dates

3.1 General Meeting of Innate Shareholders

At the General Meeting, the Innate Shareholders will be asked to approve:

- (a) the 10:1 consolidation of the IIL Ordinary Shares;
- (b) the acquisition of the entire issued capital of Amplia and the change in the nature of the Company's activities;
- (c) the issue of the Consideration Shares to the Vendors; and
- (d) the appointment of the directors to the Board of the Company as set out above.

3.2 Transaction timetable

The current, abbreviated, indicative timetable for the Transaction is set out below.

	Indicative timing
Execution and announcement of Share Purchase Agreement	23 March 2018
Dispatch Notice of General Meeting to Innate Shareholders	28 March 2018
Seek Trading Halt to commence on morning of the General Meeting	24 April 2018
General Meeting of the Innate Shareholders	26 April 2018
Completion of Transaction	30 April 2018

The above dates are indicative only and may change without notice.

For further information please contact:

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