

Innate Immunotherapeutics Limited

ACN 165 160 841

Notice of Annual General Meeting
and Explanatory Statement

2016 Annual Report:

www.innateimmunotherapeutics.com/irm/annualreports

**THIS IS AN IMPORTANT DOCUMENT
AND REQUIRES YOUR ATTENTION**

This document does not take into account your individual circumstances. If you are in doubt about how to deal with it, please consult your financial or other professional adviser.

11.00 am
Wednesday, 31 August 2016
Grant Thornton, Seagrass Room
Level 17, 383 Kent Street
Sydney NSW 2000

For personal use only

Notice of Annual General Meeting

NOTICE is given that the Annual General Meeting of Innate Immunotherapeutics Limited (the Company) will be held at Grant Thornton, Seagrass Room, Level 17, 383 Kent Street, Sydney NSW 2000 Australia at 11.00 am on Wednesday 31 August 2016.

ORDINARY BUSINESS

1. Receipt of the Financial Report for the year ended 31 March 2016

Receipt of the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 March 2016.

2. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the Remuneration Report for the year ended 31 March 2016 be adopted.”

3. Re-elect Mr. Michael Quinn as a Director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr. Michael Quinn, who retires in accordance with the Constitution of the Company and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

4. Re-elect Mr. Andrew Sneddon as a Director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr. Andrew Sneddon, who retires in accordance with the Constitution of the Company and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”

5. Elect Dr. Robert Peach as a Director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Dr. Robert Peach, who was appointed as a Director of the Company by the Board on 2 September 2015 and retires in accordance with the Constitution of the Company, and being eligible offers himself for election, be elected as a Director of the Company.”

6. Approve Proposed Issue of Shares – Placement 1

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 7.1 and for all other purposes, to approve the proposed issue by the Company of 5,449,032 fully paid ordinary shares at an issue price of US\$0.18 per share as described in the Explanatory Statement annexed to and forming part of this Notice of Annual General Meeting.”

7. Approve the Issue of Shares to a Director – Christopher Collins – Placement 1

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 and for all other purposes, the issue of 4,000,000 fully paid ordinary shares at an issue price of US\$0.18 per share to Christopher Collins be approved.”

8. Approve the Issue of Shares to a Director – Robert Peach – Placement 1

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 and for all other purposes, the issue of 560,000 fully paid ordinary shares at an issue price of US\$0.18 per share to Robert Peach be approved.”

9. Approve Proposed Issue of Shares – Placement 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 7.1 and for all other purposes, to approve the proposed issue by the Company of 2,955,699 fully paid ordinary shares at an issue price of US\$0.26 / A\$0.34 / NZ\$0.36 per share as described in the Explanatory Statement annexed to and forming part of this Notice of Annual General Meeting.”

10. Approve the Issue of Shares to a party related to a Director - Michael Quinn – Placement 2

To consider, and if thought fit, pass the following Resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 and for all other purposes, the issue of 165,675 fully paid ordinary shares at an issue price of A\$0.34 per share to Kaylara Pty Ltd <Straflo Super Fund A/C> be approved.”

11. Approve the Issue of Shares to a party related to a Director - Andrew Sneddon – Placement 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 and for all other purposes, the issue of 110,701 fully paid ordinary shares at an issue price of A\$0.34 per share to Andrew Sneddon <The Sneddon Family A/C> be approved.”

12. Approve the Issue of Shares to a Director - Elizabeth Hopkins – Placement 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the issue of 20,919 fully paid ordinary shares at an issue price of NZ\$0.36 per share to Elizabeth Hopkins be approved.”

13. Approve the Issue of Shares to a party related to a Director - Michael Quinn – Placement 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the issue of 244,747 fully paid ordinary shares at an issue price of A\$0.34 per share to Rosemary Quinn be approved.”

14. Approve the Issue of Shares to a party related to a Director - Michael Quinn – Placement 2

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange and for all other purposes, the issue of up to 45,184 fully paid ordinary shares at an issue price of A\$0.34 per share to Conor Quinn be approved.”

15. Approve the Grant of Options to Mr Michael Quinn (Non-Executive Chairman)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14 and all other purposes, the Company be authorised to grant to Mr Michael Quinn a total of 900,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.65 per share in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Annual General Meeting.”

16. Approve the Grant of Options to Mr Andrew Sneddon (Non-Executive Director)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14 and all other purposes, the Company be authorised to grant to Mr Andrew Sneddon a total of 600,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.65 per share in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Annual General Meeting.”

17. Approve the Grant of Options to Ms Elizabeth Hopkins (Non-Executive Director)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14 and all other purposes, the Company be authorised to grant to Ms Elizabeth Hopkins a total of 600,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.65 per share in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Annual General Meeting.”

18. Approve the Grant of Options to Dr Robert Peach (Non-Executive Director)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14 and all other purposes, the Company be authorised to grant to Dr Robert Peach a total of 1,000,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.65 per share in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Annual General Meeting.”

19. Approve the Grant of Options to Mr Simon Wilkinson (Managing Director & CEO)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14 and all other purposes, the Company be authorised to grant to Mr Simon Wilkinson a total of 1,750,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.65 per share in the capital of the Company, on the terms and for the purposes set out in the Explanatory Memorandum annexed to and forming part of this Notice of Annual General Meeting.”

VOTING EXCLUSIONS

RESOLUTION 2 – REMUNERATION REPORT:

The Company will disregard any votes cast on Resolution 2:

- by or on behalf of a member of the key management personnel of the Company (KMP) (as defined in Section 9 of the Corporations Act 2001 (Cth)) details of whose remuneration are included in the Remuneration Report;
- by or on behalf of a closely related party (as defined in Section 9 of the Corporations Act 2001 (Cth), such as close family members and any controlled companies) of a member of the KMP; or
- as a proxy by a member of the KMP or a KMP's closely related party.

However, the Company need not disregard a vote cast by a KMP or closely related party of the KMP if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Important Notice for Resolution 2: If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and authorises the Chairman to vote undirected proxies on Resolution 2, the Chairman will vote, as proxy for that shareholder, in favour of Resolution 2.

RESOLUTIONS 6 and 9: PLACEMENTS 1 and 2

The Company will disregard any votes cast on Resolution 6 and 9 by:

- a person (and any associates of such a person) who may participate in the proposed issue of shares; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTIONS 7, 8, 10, 11, 12, 13 and 14: PLACEMENT TO DIRECTORS/RELATED PARTIES - PLACEMENTS 1 and 2

The Company will disregard any votes cast on each of Resolutions 7, 8, 10, 11, 12, 13 and 14 inclusive by:

- the person who is to receive securities under that Resolution; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTIONS 15 to 19: GRANT OF OPTIONS TO DIRECTORS

The Company will disregard any votes cast on Resolutions 15 to 19 inclusive by:

- any Director of the Company; and
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will also disregard any votes cast on Resolutions 15 to 19 by a member of the KMP or their closely related parties, as proxy for another person, where the proxy form does not specify how the proxy is to vote, with the exception that votes cast by the Chairman as proxy appointed in writing, in accordance with a direction on the proxy form to vote as the proxy provides, will not be excluded.

Important Notice for Resolutions 15 to 19 inclusive: If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and authorises the Chairman to vote undirected proxies on Resolutions 15 to 19, the Chairman will vote, as proxy for that shareholder, in favour of Resolutions 15 to 19.

Dated at Sydney, on the 25th day of July 2016



By order of the Board
Andrew J. Cooke
Company Secretary

SHAREHOLDERS WHO ARE ENTITLED TO VOTE

In accordance with the Corporations Act 2001 (Cth), the directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the register of members as at 7.00pm on 29 August 2016.

2016 ANNUAL REPORT:

The 2016 Annual Report is available on the Company's Website:

www.innateimmunotherapeutics.com

and

www.innateimmunotherapeutics.com/irm/annualreports

PROXIES:

- Shareholders wishing to appoint a proxy are encouraged to do so electronically by following the steps set out on the Proxy Form attached.
- A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy or not more than two proxies to attend and vote instead of the shareholder.
- Where two proxies are appointed:
 - (i) a separate Proxy Form, should be used to appoint each proxy;
 - (ii) the Proxy Form may specify the proportion, or the number, of votes that the proxy may exercise, and if it does not do so the proxy may exercise half of the votes.
- A shareholder can appoint any other person to be their proxy. A proxy need not be a shareholder of the Company. The proxy appointed can be described in the Proxy Form by an office held e.g. “the Chair of the Meeting”.
- In the case of shareholders who are individuals, the Proxy Form must be signed:
 - (i) if the shares are held by one individual, by that shareholder;
 - (ii) if the shares are held in joint names, by any one of them.
- In the case of shareholders who are companies, the Proxy Form must be signed:
 - (i) if it has a sole director who is also sole secretary, by that director (and stating the fact next to, or under the signature on the Proxy Form);
 - (ii) in the case of any other company by either two directors or a director and secretary.The use of the common seal of the company, in addition to those required signatures, is optional.
- If the person signing the Proxy Form is doing so under a power of attorney, or is an officer of a company outside those referred to above but authorised to sign the Proxy Form, the power of attorney or other authorisation (or a certified copy of it), as well as the Proxy form, must be received by the Company by the time and at the place specified below.
- A Proxy Form accompanies this notice. To be effective, your proxy must be received by the Company no later than 48 hours before the time for the holding of the meeting:
 - (i) by **facsimile** : on 1 800 783 447 (within Australia) or +61 3 9473 2555 (from outside of Australia) ;
or
 - (ii) by **mail** :
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia ;
or
 - (iii) **Lodge your vote Online** : www.investorvote.com.au using the Control Number and your SRN/HIN which are provided on the front side of your Proxy Form.
 - (iv) **Custodians**: Intermediary Online subscribers only, cast the shareholder’s vote online by visiting www.intermediaryonline.com.

EXPLANATORY STATEMENT

REPORTS AND ELECTIONS

1. Financial Report – Year ended 31 March 2016

The Corporations Act 2001 (Cth) requires the Financial Report (which includes the financial statements and the directors' declaration), the Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act 2001 (Cth) or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Financial Report.

This item of business provides shareholders with an opportunity to ask questions concerning or make comments on the Company's financial statements and reports for the year ended 31 March 2016 and the Company's performance generally.

A representative of the Auditor (Grant Thornton) will be attending the Annual General Meeting.

As a shareholder, you are entitled to submit a written question to the Auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than 23 August 2016. All questions must be sent to the Company and may not be sent direct to the Auditor. The Company will then forward all questions to the Auditor.

The Auditor will answer written questions submitted prior to the Annual General Meeting.

The Auditor will also answer questions at the meeting from shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

2. Resolution 2 – Remuneration Report

The Directors' Report for the year ended 31 March 2016 contains a Remuneration Report which sets out the policy on remuneration of the Directors of the Company and specified executives of the Company.

The Corporations Act 2001 (Cth) requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act 2001 (Cth) expressly provides that the vote is advisory and does not bind the Directors of the Company. However, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, shareholders will then vote to determine whether the Directors, excluding the CEO, will need to stand for re-election (a "Spill Resolution"). If more than 50% of the

votes cast on the Spill Resolution are in favour, a separate re-election meeting must be held within 90 days.

At the Company's 2015 Annual General Meeting, the votes cast against the Remuneration Report considered at that meeting were less than 25%.

Members attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Board recommends that shareholders vote in favour of this resolution.

Subject to the voting exclusions set out in the Notice of Annual General Meeting, the Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

3. Resolution 3 – Re-election of Mr. Michael Quinn as a Director

MICHAEL QUINN, BSc BEc MBA (Harvard).

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 Mr Quinn 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.

The Board (other than Michael Quinn) recommends that shareholders vote in favour of Mr. Quinn's re-election as a Director. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

4. Resolution 4 – Re-election of Mr. Andrew Sneddon as a 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 Traditional Therapies Clinics Limited and the chairman of 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 and is Chairman of the Company's Audit Committee.

The Board (other than Andrew Sneddon) recommends that shareholders vote in favour of Mr. Sneddon's re-election as a Director. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

5. Resolution 5 – Election of Dr. Robert Peach as a Director

Dr Peach has over 25 years of drug discovery and development experience in the Pharmaceutical and Biotechnology industry. In 2009 he co-founded Receptos Limited, becoming Chief Scientific Officer and raising US\$59M in venture capital and US\$800M in an IPO and three subsequent follow-on offerings. In August 2015 Receptos was acquired by Celgene for US\$7.8B. Robert held senior executive and scientific positions in other companies including Apoptos, Biogen Idec, IDEC and Bristol-Myers Squibb, supporting in-licensing, acquisition and venture investments. His extensive drug discovery and development experience in autoimmune and inflammatory diseases, and cancer has resulted in multiple drugs entering clinical trials and 3 registered drugs. He is currently on the Board of Directors and Scientific Advisory Board of Avalia Immunotherapies and is a consultant for several other biotechnology companies. Robert is the co-author of 70 scientific publications and book chapters, and 17 patents. He was educated at the University of Canterbury and the University of Otago, New Zealand.

He was appointed as a Director on 2 September 2015.

The Board (other than Dr. Peach) recommends that shareholders vote in favour of Dr. Peach's re-election as a Director.

The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.

SHARE AND OPTION ISSUES

The share issues referred to in Resolutions 6 – 13 relate to two separate placements which are summarised in this table:

	Number of shares	Consideration	Percentage of issued capital pre-issue
Placement 1 – non-director participants	5,449,032	US\$0.18 per share (equating to approximately A\$0.25 or NZ\$0.27)	
Placement 1 – director participants	4,560,000		
Total for Placement 1	10,009,032		4.8%
Placement 2 – non-director participants	2,955,699	US\$0.26 / A\$0.34 / NZ\$0.36	
Placement 2 – director participants	587,226		
Total for Placement 2	Maximum of 3,542,925		1.7%

6. Resolutions 6, 7 & 8 – Placement 1

Background

The Company is a medical biotechnology company that has designed and manufactured a unique immunomodulator microparticle technology 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.

The Company has initiated a Phase 2B clinical trial of its MIS416 drug candidate to treat patients with secondary progressive multiple sclerosis (SPMS). The Phase 2B trial is a placebo controlled, double blinded study that has now successfully enrolled 93 patients and is being conducted at five sites in Australia and two sites in New Zealand. The trial design provides for a two to one randomisation of subjects to either MIS416 treatment or placebo control agent. Subjects are being treated once weekly with either MS416 or placebo agent over a 52 week period.

In addition to this trial, the Company has two active collaborations with academic groups seeking to develop safe and effective immuno-oncology therapies for use in patients who have already received primary anti-cancer therapy, being either surgery and/or chemo/radio therapy. The aim of immune based cancer therapies 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.

On 10 June 2016 the Company announced that the Board had resolved to proceed with both a private placement ("Placement 1") and a rights issue to raise additional working capital of approximately A\$5,425,000.

The Company intends to use the proceeds of Placement 1 and the rights issue to:

- complete the phase 2B randomized, double-blind, placebo-controlled trial of the efficacy and safety of the Company's drug candidate MIS416 for the treatment of subjects with Secondary Progressive Multiple Sclerosis (SPMS);
- advance the development of an industrial scale manufacturing method for the production of MIS416;
- seek approval from the United States Food and Drug Administration for an Investigational New Drug programme in the United States;
- continue the preclinical evaluation of a possible oral formulation of MIS416; and
- for additional working capital.

Resolutions 6, 7 and 8 together deal with Placement 1 for a total of 10,009,032 ordinary shares at US\$0.18 per share. This placement was effected with sophisticated U.S. investors to raise US\$1,801,635 being approximately A\$2.4 million.

The issue price of US\$0.18 per share equates to approximately A\$0.25 or NZ\$0.27 and represents a 12% discount to the volume weighted average market price for the Company's shares, calculated over the 10 days on which sales were recorded prior to 9 June 2016.

Mr Chris Collins and Dr Robert Peach, who are both non-executive directors of the Company, agreed to participate in Placement 1 and completion of Placement 1 is conditional (to the extent approval is required under the Corporations Act and the ASX Listing Rules) upon shareholder approval.

Resolution 6 - Approve proposed issue of shares – Placement 1

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued capital of the Company in any 12 month period (subject to certain exceptions, including where prior shareholder approval is obtained).

If the issue of the securities has the prior approval of the shareholders in accordance with the proposed resolution, the issue will not be included in the 15% limit on the Company to raise funds without shareholder approval.

Resolution 6 seeks shareholder approval for the issue of 5,449,032 fully paid ordinary shares under ASX Listing Rule 7.1 so that those issues (provided they occur within one month of the date of the Annual General Meeting) will not be included in the 15% calculation set out in ASX Listing Rule 7.1.

Resolutions 7 and 8 – Placement 1

ASX Listing Rule 10.11 provides that a Company must not issue or agree to issue equity securities to a related party of the Company, such as a person who is a director of the Company, the spouse or a child of a director, or an entity controlled by a director, without the Company first obtaining the approval by ordinary resolution of its shareholders.

Resolution 7 seeks shareholder approval for the issue of 4,000,000 fully paid ordinary shares under ASX Listing Rule 10.11 to Mr Christopher Collins, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders.

Resolution 8 seeks shareholder approval for the issue of 560,000 fully paid ordinary shares under ASX Listing Rule 10.11 to Dr Robert Peach, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders.

If approval is given to Resolutions 7 and 8 under Listing Rule 10.11, approval is not required under listing rule 7.1, so that those issues (provided they occur within one month of the date of the Annual General Meeting) will not be included in the 15% calculation set out in ASX Listing Rule 7.1

Additional Information – Resolutions 6, 7 and 8 – Placement 1

Following the recent completion of the rights issue, the total issue of 10,009,032 fully paid ordinary shares to be issued pursuant to Resolutions 6, 7 and 8 would represent 4.8% of the issued capital of the Company pre-issue.

Subject to the approval of Resolutions 6, 7 and 8, the ordinary shares are expected to be issued shortly after the meeting, but in any event not later than one (1) month after the date of the meeting. Shares may be issued progressively on a number of occasions as application monies are received.

All of the shares being the subject of Resolutions 6, 7 and 8 are fully paid ordinary shares which rank equally with all of the Company's existing fully paid ordinary shares. The Company will apply to the ASX for admission of the shares for quotation on the ASX.

The known persons to whom issues will be made pursuant to Resolution 6 are:

Investor

Christopher A Graham and Alyssa A Graham
Glenn Arthurs
D Ross Arthurs TTEE FBO Glenn W Arthurs
Robert William Crine
Richard Taylor
Tom Massung
Michael Hook <Fidelity FBO>
Michael E Draveck
CHEP II LLC
L William Paxon
Brian J Geary
Angelo Michael Fatta
Thomas Edmunds Price
Thomas M & Ann M McMahan
Paul D Reid
Lindy Ruff

The Directors recommend you vote in favour of Resolution 6.

The Directors (Mr Collins not voting) recommend you vote in favour of Resolution 7.

The Directors (Dr Peach not voting) recommend you vote in favour of Resolution 8.

7. Resolutions 9, 10, 11, 12, 13 and 14 – Placement 2

Background

On 10 June 2016, the Company announced that the Board had resolved to proceed with both a private placement (“Placement 1”) and a rights issue to raise additional working capital of approximately A\$5,425,000.

The issue price of for Placement 1 was US\$0.18 per ordinary share which equated to approximately A\$0.25 or NZ\$0.27 and represented a 12% discount to the volume weighted average market price for the Company’s shares, calculated over the 10 days on which sales were recorded prior to 9 June 2016.

The rights issue was priced at A\$0.25 or NZ\$0.27 being approximately equal to the issue price applicable to Placement 1.

The rights issue closed on Tuesday 5 July 2016 and was strongly supported by shareholders raising A\$2,325,406.25 and NZ\$757,299.51.

Applications for additional new shares pursuant to the rights issue were heavily oversubscribed with the result that it was necessary to significantly scale back those applications taking into account the relative size of the applicant's shareholding prior to the rights issue.

In order to address some of the demand for stock evident from the oversubscription for additional new shares and to raise additional working capital, the Board resolved to proceed with a further private placement (“Placement 2”) of approximately A\$1,204,595, which was announced on Wednesday 20 July 2016.

Resolutions 9, 10, 11, 12, 13 and 14 together deal with Placement 2 for a maximum of 3,542,925 ordinary shares at US\$0.26 / A\$0.34 / NZ\$0.36 per share. This placement was effected with sophisticated investors in the US, Australia and New Zealand to raise US\$ 668,395 A\$323,457 and NZ\$7,500, being approximately equal to A\$1.2 million.

Mr Michael Quinn, Mr Andrew Sneddon and Ms Elizabeth Hopkins, who are all non-executive directors of the Company, agreed to participate in Placement 2 and completion of Placement 2 is also conditional (to the extent approval is required under the Corporations Act 2001 (Cth) and the ASX Listing Rules) upon shareholder approval. Mrs Rosemary Quinn who is married to Mr Quinn has also agreed to participate in Placement 2. Mr Conor Quinn who is Mr Quinn’s son has also agreed to participate in Placement 2.

The Placement 2 issue price of US\$0.26 / A\$0.34 / NZ\$0.36 per share represents a 12.8% discount to the volume weighted average market price for the Company’s shares, calculated over the 20 days on which sales were recorded prior to 20 July 2016.

Resolution 9 - Approve proposed issue of shares – Placement 2

ASX Listing Rule 7.1 limits the number of equity securities that a company may issue without member approval to 15% of the issued share capital of the Company in any 12 month period (subject to certain exceptions).

If the issue of the securities has the prior approval of the shareholders in accordance with the proposed resolution, the issue will not be included in the 15% limit.

Resolution 9 seeks shareholder approval for the issue of 2,955,699 fully paid ordinary shares under ASX Listing Rule 7.1 so that those issues (provided they occur within one month of the date of the Annual General Meeting) will not be included in the 15% calculation set out in ASX Listing Rule 7.1.

Resolutions 10, 11, 12, 13 and 14 – Placement 2

ASX Listing Rule 10.11 provides that a Company must not issue or agree to issue equity securities to a related party of the Company, such as a person who is a director of the Company, the spouse or a child of a director, or an entity controlled by a director, without the Company first obtaining the approval by ordinary resolution of its shareholders.

Resolution 10 seeks shareholder approval for the issue of 165,675 fully paid ordinary shares under ASX Listing Rule 10.11 to Kaylara Pty Ltd <Straflo Super Fund A/C>, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders. Mr. Michael Quinn is a Non-Executive Director of the Company and a Director and Shareholder of Kaylara Pty Ltd.

Resolution 11 seeks shareholder approval for the issue of 110,701 fully paid ordinary shares under ASX Listing Rule 10.11 to Andrew Sneddon <The Sneddon Family A/C>, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders. Mr Andrew Sneddon is a Non-Executive Director of the Company and trustee of The AJ Sneddon Family Trust.

Resolution 12 seeks shareholder approval for the issue of 20,919 fully paid ordinary shares under ASX Listing Rule 10.11 to Ms Elizabeth Hopkins, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders.

Resolution 13 seeks shareholder approval for the issue of 244,747 fully paid ordinary shares under ASX Listing Rule 10.11 to Mrs Rosemary Quinn, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders. Mrs Rosemary Quinn is married to Mr. Michael Quinn who is a Non-Executive Director of the Company.

Resolution 14 seeks shareholder approval for the issue of 45,184 fully paid ordinary shares under ASX Listing Rule 10.11 to Mr Conor Quinn, who has agreed to subscribe for these shares, subject to approval of the Company's shareholders. Mr Conor Quinn is the son of Mr. Michael Quinn who is a Non-Executive Director of the Company.

If approval is given to Resolutions 10, 11, 12, 13 and 14 under Listing Rule 10.11, approval is not required under Listing Rule 7.1, so that those issues (provided they occur within one month of the date of the Annual General Meeting) will not be included in the 15% calculation set out in ASX Listing Rule 7.1.

Additional Information – Resolutions 9, 10, 11, 12, 13 and 14 – Placement 2

Following the recent completion of the rights issue the total issue of 3,542,925 fully paid ordinary shares to be issued pursuant to Resolutions 9, 10, 11, 12, 13 and 14 would represent 1.7% of the issued capital of the Company pre-issue.

Subject to the approval of Resolutions 9, 10, 11, 12, 13 and 14, the shares are expected to be issued shortly after the meeting, but in any event not later than one (1) month after the date of the meeting. Shares may be issued progressively on a number of occasions as application monies are received.

All of the shares being the subject of Resolutions 9, 10, 11, 12, 13 and 14 are fully paid ordinary shares which rank equally with all of the Company's existing fully paid ordinary shares. The Company will apply to the ASX for admission of the shares for quotation on the ASX.

The funds raised by Placement 2 will be applied for the same purposes as Placement 1 and the rights issue, as detailed in the Background section relating to Placement 1 above.

The known persons to whom issues will be made pursuant to Resolution 9 are:

Investor

Joseph McMahon
Marcus and Kimberley Boehm
Robert Stevenson
Brian J Lipke
Eric Joseph Weininski
Paul J. and Barbara M. Harder
Chesterine Stevenson
Dr. Mark Lema
Michael Hook
Thomas Edmund Price
Kevin Geary
Phillip A Delmont
William Grove
Robert Grove
Travis Grove
Marcia Grove
Raymond Grove
Michael Draveck
Robert W Alexander
Beirne Trading Pty Ltd
Moore Family Nominee Pty
Andrew John Cooke
Jacqueline Quinn

Carter Superannuation Fund
Michael Gordon

Some of the shares that may be allotted pursuant to Resolution 9 may be issued to sophisticated investors who have not yet been confirmed by the Board.

The Directors recommend you vote in favour of Resolution 9.

The Directors (Mr Quinn not voting) recommend you vote in favour of Resolution 10.

The Directors (Mr Sneddon not voting) recommend you vote in favour of Resolution 11.

The Directors (Ms Hopkins not voting) recommend you vote in favour of Resolution 12.

The Directors (Mr Quinn not voting) recommend you vote in favour of Resolution 13.

The Directors (Mr Quinn not voting) recommend you vote in favour of Resolution 14.

8. Resolution 15, 16, 17, 18 and 19 – Grant of Options to Directors

Resolutions 15, 16, 17 and 18 relate to the grant of options to each of the Non-Executive Directors of the Company with the exception of Mr. Chris Collins as follows:

Non-Executive Director	Number of Options to be Granted
Michael Quinn	900,000
Andrew Sneddon	600,000
Elizabeth Hopkins	600,000
Robert Peach	1,000,000

Mr. Chris Collins is a Non-Executive Director of the Company and is also a major shareholder of the Company. Mr. Collins, being a US Congressman, is not able to accept any fees, options, or other remuneration relating to his duties as a director of the Company.

Resolution 19 relates to the grant of 1,750,000 options to Mr. Simon Wilkinson who is the Managing Director and Chief Executive Officer of the Company.

In each case the proposed options are designed to further align the interests of Directors with those of the Company and its shareholders. It also recognises that the Company should prioritise its cash resources to achieve its clinical trial objectives.

The options to be issued to Mr. Wilkinson are part of the overall remuneration package payable by the Company to him. The ASX Corporate Governance Council - Corporate Governance Principles and Recommendations recognise that most executive remuneration packages will involve a balance between fixed and incentive pay. The Board believes that these options are an effective tool to provide a long term incentive to the Chief Executive Officer and to also promote the interests of the Company and its shareholders.

The options to be issued to the Non-Executive Directors are in addition to the Directors' fees payable by the Company to each of them. The Board considers the issue of the options to Non-Executive Directors to be an effective means to compensate Non-Executive Directors more adequately at no cash cost to the Company, allowing it to constrain the levels of fees otherwise payable to Non-Executive Directors and to still attract suitably skilled and qualified persons to become and remain members of the Board, particularly in view of the increased responsibilities that arise as the Company advances towards the completion of the current Phase 2B clinical trial.

Terms and Conditions of the options:

- The options are to be issued in accordance with the terms and conditions of the Company's Employee Share Option Plan, a copy of which can be found under the Corporate Governance section of the Company's Website - www.innateimmuno.com
- Each option entitles the holder to subscribe for one ordinary share in the Company at a price of A\$0.65. This exercise price represents a 66.7% premium over the volume weighted average market price for the Company's shares, calculated over the 20 days on which sales were recorded prior to 20 July 2016..
- The options will have a grant date of 31 August 2016.
- The options will have an expiry date of 31 August 2018.
- The options will be issued at no cost.
- All of the options granted shall be fully vested on the grant date.
- The Company will not apply to the ASX for official quotation of the options but will apply for granting of official quotation of shares issued pursuant to exercise of the options.
- Shares issued on the exercise of the options will rank equally with the then existing issued ordinary shares in the Company.

From an economic and commercial point of view, the Board considers that the potential cost to the Company resulting from the granting of these options is reasonable given that the exercise price is nearly double the current share price and the Directors must in aggregate subscribe up to \$3,152,500 to the Company in order to exercise these options.

In determining the number and terms of the options to be issued to Mr. Wilkinson, consideration was given to Mr. Wilkinson's experience and his role with the Company, his overall remuneration terms, the current market price of shares in the Company and principles of good corporate governance.

In recommending the issue of these options to the Board, the Company's Remuneration Committee considered the remuneration paid to the senior executives of peer group companies. From 1 January 2014 Mr Wilkinson's salary has been set at NZ\$230,000 inclusive of any fringe benefits and is considerably lower than most of his peers. Unlike most of his peers he is not eligible for a short term incentive bonus. His equity position is also low in the context of his peers. Resolution 18 deals with the second grant of options to Mr Wilkinson since the Company successfully listed on the ASX in late 2013 and was foreshadowed in the Notice of Meeting for the 2014 Annual General Meeting. After the grant of these options he will have options equivalent to 2.62% of the Company's issued capital assuming that the resolutions relating to Placements 1 and 2 referred to in this Notice of Meeting are approved by the shareholders.

In determining the number and terms of the options to be issued to the Non-Executive Directors, consideration was given to the relatively low amount of Directors' Fees currently paid to them in comparison with peer group companies:

Chairman	\$25,000
Non-Executive Directors*	\$20,000

*Excluding Mr. Collins

In addition consideration was given to each Non-Executive Director's experience, their role on the Board, the current market price of shares in the Company and principles of good corporate governance.

The Company is seeking approval of shareholders under ASX Listing Rule 10.14 to allow the Company to grant the options contemplated by Resolutions 15, 16, 17, 18 and 19.

Subject to the approval of Resolutions 15, 16, 17, 18 and 19 a maximum of four million eight hundred and fifty thousand (4,850,000) options will be issued to Directors as soon as practicable after the date of the meeting and in any event within one month of the date of the Annual General Meeting.

If such options are exercised the funds raised will form part of the working capital of the Company.

3,500,000 Employee Options were issued to Non-Executive Directors under the Company's Employee Share Option Plan on 12 November 2013 as set out in the table below:

Non-Executive Director	Number of Options	Exercise Price	Expiry Date
Michael Quinn	1,500,000	A\$0.45	5 November 2018
Andrew Sneddon	1,000,000	A\$0.45	5 November 2018
Elizabeth Hopkins	1,000,000	A\$0.45	5 November 2018

In addition the following options have been issued to Mr. Simon Wilkinson as Managing Director and CEO pursuant to shareholder approvals or in accordance with the Company's Employee Share Option Plan:

Executive Director	Number of Options	Exercise Price	Expiry Date
Simon Wilkinson	1,300,000	US0.60	22 July 2017
Simon Wilkinson	1,000,000	A\$0.45	5 November 2018
Simon Wilkinson	1,750,000	A\$0.40	20 August 2019

No other shares or options have been issued to directors of the Company pursuant to any share or option incentive scheme in the past 12 months.

The Directors currently entitled to participate in the Company's Employee Share Option Plan are Michael Quinn, Andrew Sneddon, Elizabeth Hopkins, Christopher Collins, Robert Peach and Simon Wilkinson.

The Directors (excluding Mr. Chris Collins) have not made any recommendation to shareholders in respect of these resolutions given their interest in each of the resolutions.

Mr. Chris Collins recommends that shareholders vote in favour of Resolutions 15, 16, 17, 18 and 19.

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

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MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

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Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11.00am (Sydney Time) on Monday, 29 August 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Innate Immunotherapeutics Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Innate Immunotherapeutics Limited to be held at Grant Thornton, Seagrass Room, Level 17, 383 Kent Street, Sydney NSW Australia on Wednesday 31 August 2016 at 11.00am (Sydney Time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 15, 16, 17, 18 and 19 (except where I/we have indicated a different voting intention below) even though Items 2, 15, 16, 17, 18 and 19 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 15, 16, 17, 18 and 19 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain		For	Against	Abstain
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Approve the Issue of Shares to a party related to a Director - Andrew Sneddon - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-elect Mr. Michael Quinn as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Approve the Issue of Shares to a party related to a Director - Elizabeth Hopkins - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-elect Mr. Andrew Sneddon as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Approve the Issue of Shares to a party related to a Director- Michael Quinn - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Elect Dr. Robert Peach as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 Approve the Issue of Shares to a party related to a Director- Michael Quinn - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approve Proposed Issue of Shares - Placement 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 Approve the Grant of Options to Mr Michael Quinn (Non- Executive Chairman)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approve the Issue of Shares to a Director - Christopher Collins - Placement 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16 Approve the Grant of Options to Mr Andrew Sneddon (Non- Executive Director)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approve the Issue of Shares to a Director - Robert Peach - Placement 1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17 Approve the Grant of Options to Ms Elizabeth Hopkins (Non- Executive Director)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approve Proposed Issue of Shares - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	18 Approve the Grant of Options to Dr Robert Peach (Non- Executive Director)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Approve the Issue of Shares to a party related to a Director - Michael Quinn - Placement 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	19 Approve the Grant of Options to Mr Simon Wilkinson (Managing Director & CEO)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

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