

Innate Immunotherapeutics Limited

ACN 165 160 841

Notice of Annual General Meeting and Explanatory Statement

2017 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, 30 August 2017
Grant Thornton, Seagrass Room
Level 17, 383 Kent Street
Sydney NSW 2000**

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 30 August 2017.

ORDINARY BUSINESS

1. Receipt of the Financial Report for the year ended 31 March 2017

Receipt of the Company's Financial Report, the Directors' Report and the Auditor's Report for the year ended 31 March 2017.

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 2017 be adopted.”

3. Re-elect Mr. Christopher Collins as a Director of the Company

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

“That Mr. Christopher Collins, 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. 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 500,000 options to purchase fully paid ordinary shares at an exercise price of A\$0.80 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 will not disregard a vote as a result of these restrictions if it is cast:

- as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority.

RESOLUTION 4: GRANT OF OPTIONS TO SIMON WILKINSON

The Company will disregard any votes cast on Resolution 4 inclusive by:

- any Director of the Company who is eligible to participate in the Company's Employee Share Option Plan; 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 Resolution 4 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 2 and 4: If a shareholder appoints the Chairman of the meeting as the shareholder's proxy and authorises the Chairman to vote undirected proxies on Resolutions 2 or 4, the Chairman will vote, as proxy for that shareholder, in favour of Resolutions 2 and 4.

Dated at Sydney, on the 25th day of July 2017



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 28 August 2017.

2017 ANNUAL REPORT:

The 2017 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 2017

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 2017 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 2017. 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 2017 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 2016 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. Chris Collins as a Director

Christopher Collins (BSc., MBA – 67 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. In 2011 he 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.

Chris is a Non-Executive Director of the Company and was appointed on 20 February 2006.

Chris is also a substantial shareholder of the Company.

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

4. Resolution 4 – Grant of Options to Simon Wilkinson

Resolution 4 relates to the grant of 500,000 options to Mr. Simon Wilkinson who is the Managing Director and Chief Executive Officer of the Company.

The proposed options are designed to further align the interests of Mr. Wilkinson with those of the Company and its shareholders. It also recognises that the Company should preserve its cash resources for ongoing working capital purposes.

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.

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\$0.80. This exercise price represents a 6.94% 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 19 April 2017 being the date on which the grant was announced to the market.
- The options will have a grant date of 30 August 2017.
- 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 16 times the current share price and Mr. Wilkinson must subscribe up to \$400,000 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 market price of shares in the Company at the time that the grant was considered and principles of good corporate governance.

In recommending the issue of these options to Mr. Wilkinson, 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 has not been eligible for a short term incentive bonus. His equity position is also low in the context of his peers. Resolution 4 deals with the third grant of options to Mr Wilkinson since the Company successfully listed on the ASX in late 2013 and was foreshadowed in an announcement to the market on 19 April 2017. After the grant of these options he will have options equivalent to 2.22% of the Company's issued capital (assuming that his US\$0.60 options which expire 22 July 2017 have lapsed and are not exercised).

The Company is seeking approval of shareholders under ASX Listing Rule 10.14 to allow the Company to grant the options contemplated by Resolution 4.

Subject to the approval of Resolution 4 a maximum of five hundred thousand (500,000) options will be issued to Mr. Simon Wilkinson as soon as practicable after the date of the meeting and in any event within twelve months 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.

3,100,000 Employee Options were issued to Non-Executive Directors for nil consideration under the Company's Employee Share Option Plan on 12 September 2016 as set out in the table below:

Non-Executive Director	Number of Options	Exercise Price	Expiry Date
Michael Quinn	900,000	A\$0.65	31 August 2018
Andrew Sneddon	600,000	A\$0.65	31 August 2018
Elizabeth Hopkins	600,000	A\$0.65	31 August 2018
Robert Peach	1,000,000	A\$0.65	31 August 2018

Mr. Simon Wilkinson currently holds the following Employee Options which have been issued to him 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
Simon Wilkinson	1,750,000	A\$0.65	31 August 2018

1,750,000 Employee Options were issued to Mr. Simon Wilkinson for nil consideration under the Company's Employee Share Option Plan on 12 September 2016.

No other shares or options have been issued to Directors of the Company or any associates of a Director pursuant to any share or option incentive scheme since the date of the last approval given by shareholders (being the Company's last Annual General Meeting on 31 August 2016).

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.

No loans have been provided to any Director or any associates of a Director in respect of options granted to Directors pursuant to the Company's Employee Share Option Plan and no loan is to be provided to Mr. Wilkinson in respect of the options to be granted pursuant to this resolution.

The Directors (excluding Mr. Simon Wilkinson) recommend that shareholders vote in favour of Resolution 4.

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: I999999999

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, 28 August 2017

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.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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 2000 on Wednesday, 30 August 2017, at 11:00am 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 & 4 (except where I/we have indicated a different voting intention below) even though Items 2 & 4 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 & 4 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
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-elect Mr. Christopher Collins as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 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 / /