Innate Immunotherapeutics

ABN 16 165 160 841

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Corporate Update

Innate Immunotherapeutics Limited (ASX Code: IIL) would like to update the market on corporate activities following the June and July announcements that the Company's Phase 2B trial of drug candidate MIS416 in patients with secondary progressive multiple sclerosis (SPMS) had been unsuccessful.

Future Direction

While there is promising data to support the utility of MIS416 in at least three other therapeutic areas, Directors believe it would take a considerable amount of time and money to reaffirm the preclinical proof of concept data, engage with clinicians, design study(s), and obtain the necessary approvals to conduct a new clinical development programme. Given the early pre-clinical stage of these potential applications of MIS416, we believe raising substantive funds from existing shareholders to pursue a new MIS416 based clinical programme is unrealistic.

Accordingly the Directors are actively reviewing a number of possible options for the Company whereby a new technology might be acquired and/or merged into the business. While a number of possibilities have been turned away for a variety of reasons, we believe that a worthwhile opportunity can be identified and brought to shareholders for consideration. That said the Directors are concerned that the current unresolved situation does not drag on and so if at all possible we would like to make a definitive statement about the Company's future prior to Christmas.

Trial Related Matters

The Company expects to receive the final Phase 2B trial Clinical Study Report (CSR) by the end of October. Given the lack of positive efficacy findings, the Company has elected to produce an abbreviated CSR which will report only on the study's safety endpoints. Based on the draft report recently reviewed by the Company, it is expected that the CSR will confirm that:

> *MIS416 was generally well-tolerated in patients with SPMS, with most adverse events mild or moderate in severity, self-limited in duration, and often related to the underlying mechanism of MIS416 action. Although pro-inflammatory related AEs are associated with MIS416 dosing, they are generally transient, manageable, not dose-limiting, and do not preclude chronic dosing. Long-term administration of MIS416 is not associated with cumulative toxicity or perturbations of standard clinical laboratory parameters.*

In the event that MIS416 might be considered for clinical development in therapeutic indications other than multiple sclerosis, the likely finding that MIS416 is able to be administered long-term in a safe manner would be an important asset.

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New Zealand Operations

Given the disappointing trial outcome in SPMS, the Directors have determined that day to day scientific and drug manufacturing operations cannot realistically continue. As a result these operations, which are all based in Auckland, are being closed down. Staff involved in these activities are being provided with redundancy packages and plant and equipment are being disposed of in an orderly manner. The leasehold premises will be vacated prior to the end of December.

On behalf of all shareholders, the Directors have recorded the Company's gratitude to all the New Zealand staff for their loyalty, commitment, and unrelenting hard work over many years. The outcome of the trial has been a 'bitter pill to swallow' for this dedicated group of researchers and production staff and we commend them for their professional approach to winding up the SPMS related activities.

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