



APPENDIX 4D

HALF YEAR REPORT
GIVEN TO THE ASX UNDER LISTING RULE 4.2A

INNATE IMMUNOTHERAPEUTICS LIMITED

ACN 165 160 841

HALF YEAR ENDED 30 SEPTEMBER 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET
(figures are in A\$'s)

	Half Year Ended 30 September 2017 \$	Half Year Ended 30 September 2016 \$	Change \$	Change %
OTHER INCOME	673,706	1,195,651	(521,945)	-44%
PROFIT/(LOSS) BEFORE INCOME TAX	(2,495,289)	(3,482,249)	986,960	-28%
PROFIT/(LOSS) AFTER INCOME TAX	(2,495,289)	(3,482,249)	986,960	-28%
WEIGHTED EARNINGS PER SHARE - CENTS	(1.1)	(1.7)	0.6	-36%

	30 September 2017 Cents	31 March 2017 Cents
NET TANGIBLE ASSET BACKING PER SHARE	1.8	2.9

DIVIDENDS

The Directors have resolved that no dividend will be paid this half year.

2017 Final Dividend
2018 Interim Dividend

nil
nil
nil

Record Date for determining entitlement to Dividend
Payment date of Dividend

n/a
n/a

Directors' Report

for the half year ended 30 September 2017

Your directors present their report on Innate Immunotherapeutics Limited (the "Company") and its subsidiary Innate Immunotherapeutics (NZ) Limited (together the "Group") for the half year ended 30 September 2017.

DIRECTORS

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

Michael Quinn
Simon Wilkinson
Elizabeth Hopkins
Christopher Collins
Andrew Sneddon
Robert Peach

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

REVIEW OF FINANCIAL RESULTS AND OPERATIONS

The loss for the period before foreign currency translations was \$2,495,289 including depreciation and amortisation totalling \$15,277.

Total current assets at the beginning of the period amounted to \$7,374,610-of which cash and cash equivalents totalled \$5,763,357. At 30 September, total current assets had decreased to \$4,684,443 represented primarily by cash and cash equivalents totalling \$4,335,207-and the accrual for the R&D future tax incentive of \$182,981 associated with qualifying R&D expenditure during the period.

Total liabilities at the beginning of the period amounted to \$907,873-and at the end of the period, \$545,685. The Group has no interest bearing or other term liabilities.

In September 2017 the Group received an Australian Government Research and Development incentive payment of \$1,848,693.

The Group's principal activity over the past several years has been the clinical development of the Group's drug candidate MIS416 for the treatment of patients with secondary progressive multiple sclerosis (SPMS). In June the Group announced that the Phase 2B trial of MIS416 in SPMS had been unsuccessful.

While there is promising early data to support the utility of MIS416 in at least three other therapeutic areas, we believe it would take a considerable amount of time and money to reaffirm the existing 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 very early stage of these potential applications of MIS416, we believe raising substantive funds from existing shareholders in the near term to pursue a clinical programme based solely on MIS416 is unrealistic.

Given the disappointing outcome of the Phase 2B trial, the Group's Auckland based drug manufacturing and research operations are being closed down and the staff involved in these operations made redundant. Further, the Company has also negotiated the cessation of its lease of these facilities. It is expected that this Auckland close down and vacating of premises will be achieved by the end of December 2017. This will result in a substantial reduction in day to day operating expenses and following the closure it is expected that the Group will have sufficient funds

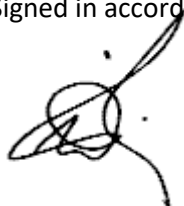
to continue as a “going concern” and meet it’s obligations as and when they become due and payable.

The Board is actively reviewing a number of possible options whereby new intellectual property might be acquired. In the event of a successful acquisition the nature of the Group’s future operations and prospects will be influenced by this new technology.

No other circumstances have arisen since the end of the financial period which will significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent periods.

A copy of the Auditor’s Independence Declaration as required under s307C of the Corporations Act 2001 follows and forms part of this Directors Report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'Simon Wilkinson', with a long, sweeping horizontal stroke extending to the right.

Simon Wilkinson
30 November 2017

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Innate Immunotherapeutics Limited for the half-year ended 30 September 2017, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 November 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Half Year Ended 30 September 2017 \$	Half Year Ended 30 September 2016 \$
OTHER INCOME		
Other income	-	348
Rent received	16,383	16,106
Interest income	16,327	13,380
R&D tax incentive	640,996	1,165,817
TOTAL OTHER INCOME	673,706	1,195,651
EXPENDITURE		
Research & development expenses	(2,028,770)	(2,888,371)
Patents & associated expenses	(80,227)	(130,786)
Business development expenses	(158,251)	(152,948)
General expenses	(26,520)	(8,725)
Administrative expenses	(788,591)	(724,000)
Depreciation & amortisation	(15,277)	(17,491)
Share based compensation (employee & non-employee)	(71,359)	(755,579)
TOTAL EXPENDITURE	(3,168,995)	(4,677,900)
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE	(2,495,289)	(3,482,249)
Income tax (expense)	-	-
PROFIT / (LOSS) AFTER INCOME TAX	(2,495,289)	(3,482,249)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation	(61,917)	116,281
Income tax thereon	-	-
OTHER COMPREHENSIVE INCOME NET OF INCOME TAX	(61,917)	116,281
TOTAL COMPREHENSIVE INCOME FOR THE HALF YEAR	(2,557,206)	(3,365,968)
EARNINGS PER SHARE		
Basic and diluted earnings per share - cents (weighted)	(1.1)	(1.7)

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2017 \$	31 March 2017 \$
Current Assets		
Cash & cash equivalents	4,335,207	5,763,357
Accounts receivable	18,272	131,770
R&D future tax incentive receivable	182,981	1,436,046
Other current assets	147,983	43,437
Total current assets	4,684,443	7,374,610
Non Current Assets		
Property, plant & equipment	152,583	162,219
Provision for impairment of property, plant & equipment	(148,231)	-
Total non current assets	4,352	162,219
Total Assets	4,688,795	7,536,829
Current Liabilities		
Accounts payable & accrued liabilities	545,685	907,873
Total current liabilities	545,685	907,873
Non Current Liabilities	-	-
Total Liabilities	545,685	907,873
Net Assets	4,143,110	6,628,956
Equity		
Paid in capital	123,018,641	123,018,641
Foreign currency translation reserve	(1,838,105)	(1,776,189)
Share option reserve	2,236,902	2,165,543
Retained earnings / (accumulated losses)	(119,274,328)	(116,779,039)
Total Equity	4,143,110	6,628,956

This consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$	Accumulated Losses \$	Share Option Reserve \$	Foreign Currency Translation \$	Total Equity \$
CONSOLIDATED ENTITY					
At 1 April 2016	114,230,766	(109,702,720)	1,309,329	(1,834,096)	4,003,279
(Loss) after income tax for the half year	-	(3,482,249)	-	-	(3,482,249)
Other comprehensive income net of tax	-	-	-	116,281	116,281
Total comprehensive (loss) after tax	-	(3,482,249)	-	116,281	(3,365,968)
Transactions with owners in their capacity as owners					
Capital raising (net of costs)	6,516,469	-	-	-	6,516,469
Vesting of share options	-	-	755,579	-	755,579
At 30 September 2016	120,747,235	(113,184,969)	2,064,908	(1,717,815)	7,909,359
At 1 April 2017	123,018,641	(116,779,039)	2,165,543	(1,776,189)	6,628,956
(Loss) after income tax for the half year	-	(2,495,289)	-	-	(2,495,289)
Other comprehensive income net of tax	-	-	-	(61,916)	(61,916)
Total comprehensive (loss) after tax	-	(2,495,289)	-	(61,916)	(2,557,205)
Transactions with owners in their capacity as owners					
Vesting of share options	-	-	71,359	-	71,359
At 30 September 2017	123,018,641	(119,274,328)	2,236,902	(1,838,105)	4,143,110

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half Year Ended 30 September 2017 \$	Half Year Ended 30 September 2016 \$
Cash flows related to operating activities		
Rent recieved	16,388	16,191
Interest received	17,882	17,277
R&D tax incentive received	1,848,693	1,824,007
Payments to suppliers	(2,540,438)	(3,153,116)
Payments to employees	(748,458)	(683,904)
Net operating cash flows	(1,405,933)	(1,979,545)
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(4,419)	(37,244)
Net investing cash flows	(4,419)	(37,244)
Proceeds from issue of shares	-	6,617,021
Capital raising costs	(12,911)	(100,552)
Net financing cash flows	(12,911)	6,516,469
Net increase/(decrease) in cash held	(1,423,263)	4,499,680
Cash at beginning of period	5,763,357	3,200,622
Foreign exchange effect on cash & cash equivalents balances	(4,887)	77,013
Cash at end of period	4,335,207	7,777,315
Reconciliation of cash		
Cash & cash equivalents in Statement of Financial Position	4,335,207	7,777,315

This consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES - BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half year financial report does not include notes of the type normally included in an Annual Report and should be read in conjunction with the most recent annual financial report.

The accounting policies applied in preparing the financial statements for the half year ended 30 September 2017 are consistent with those applied in preparing the comparative information presented in these financial statements and are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 March 2017.

EXPENSES

	Half Year Ended 30 September 2017 \$	Half Year Ended 30 September 2016 \$
Profit / (loss) before income tax has been determined after charging/crediting:		
Write back of provision for restoration and make good costs	(18,396)	-
Depreciation - leasehold improvements	977	1,088
- plant & equipment	11,711	12,469
- office furniture & equipment	2,589	3,933
Amortisation of intangible assets	-	-
Provision for impairment of assets	148,231	-
(Profit)/loss on sale of property, plant & equipment	-	644
Rent & leasing expense	71,840	74,820
Employee benefits	873,588	759,220
Foreign exchange loss/<gain>	6	(23,305)
Share based compensation - employees & directors	71,359	755,579

DETAILS OF INVESTMENTS IN CONTROLLED ENTITIES

	30 September 2017	31 March 2017
	Ownership	Ownership
Innate Immunotherapeutics (NZ) Limited (incorporated in New Zealand)	Interest	Interest
- issued share capital of NZ\$100 is unpaid at 30 September 2016	100%	100%

EARNINGS PER SHARE (EPS)

	30 September 2017	30 September 2016
Earnings used in the calculation of basic EPS	(2,495,289)	(3,482,249)
Earnings used in the calculation of diluted EPS	(2,495,289)	(3,482,249)
Weighted average number of shares outstanding during the half year	Number	Number
Basic EPS	225,625,991	203,048,721
Diluted EPS	225,625,991	203,048,721

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

	Half Year Ended 30 September 2017 Cents	Half Year Ended 30 September 2016 Cents
Basic EPS - cents (6 months)	(1.1)	(1.7)
Diluted EPS - cents (6 months)	(1.1)	(1.7)

DIVIDENDS

Interim Dividend
Final Dividend

	30 September 2017 Cents	31 March 2017 Cents
	nil	nil
	nil	nil
	nil	nil

CONSOLIDATED RETAINED PROFITS/(LOSSES)

Retained profits/(accumulated losses) at 1 April
Net profit attributable to members
Retained profits/accumulated losses at 30 September

	30 September 2017 \$	30 September 2016 \$
	(116,779,039)	(109,702,720)
	(2,495,289)	(3,482,249)
	(119,274,328)	(113,184,969)

ORDINARY SHARES ON ISSUE

Number of securities on issue at 1 April 2017
Issued during the period
Number of securities on issue at 30 September 2017

	30 September 2017 NUMBER	31 March 2017 NUMBER
	225,625,991	196,442,177
	-	29,183,814
	225,625,991	225,625,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OPTIONS

There were 24,910,000 (31 March 2017: 24,160,000) options outstanding at reporting date.

LOYALTY RIGHTS

There were no loyalty rights outstanding at reporting date.

POST REPORTING DATE EVENTS

On 20 October 2017 the Company announced that it is actively reviewing a number of possible options whereby a new technology might be acquired and/or merged into the business and it hopes to make a definitive statement about the Company's future prior to 31 December 2017. The future operations and financial statements will depend on the outcome of this review. The Company decided that day to day drug manufacturing and research cannot realistically continue. As a result these physical operations, which are all based in Auckland, are being closed down. Staff involved in these operations have been given termination notices. Redundancy and retention payments of \$176,200 have not been included in these accounts as they were not finalised as at 30 September 2017. However, they were finalised post 30 September 2017 and are expected to be paid prior to 31 December 2017.

Further, all plant & equipment and other fixed assets will be disposed of and the Company will also vacate the leasehold premises. The Company has negotiated the exit of these premises, without incurring restoration and make good costs, and will leave the majority of its fixed assets on exit without compensation for such assets. As such, a provision of \$148,231 was made for impairment of these assets in these accounts.

No other circumstances have arisen since the end of the financial period which will significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent periods.

COMMITMENTS AND CONTINGENT LIABILITIES AND ASSETS

Royalties - In conjunction with the acquisition of intellectual property, the Company granted the vendors royalties from the future net revenues which may be derived from the use of the MIS416 intellectual property. The royalty agreements have a term of 20 years commencing August 2000, and the royalties, which are payable quarterly, amount to 6% of net revenues to a maximum aggregate royalty of US\$100 million. Of the total 6% total royalties, 1.75% expires August 2020, 1% expires September 2020 and 3.25% expires August 2022.

New families of patents have subsequently been granted by the Company by virtue of several new patent application filings. These include the use of MIS416 to treat various other diseases and conditions including multiple sclerosis, cancer, infection, Alzheimer's disease, epilepsy, protection and/or repair of the nervous system, and radiation protection. The extension of the use of MIS416 would result in a royalty of 3.25% of net revenues (plus an additional 3% in the case of Alzheimer's) up to a maximum of US\$54.2 million. These new families of patents have various application dates from 2009 and if granted would have a term of approximately 20 years from the filing of the application.

Collaborations - The Company has not entered into any formal collaborative arrangements that give rise to significant contingencies or capital commitments as at 30 September 2017.

Industrialisation Project - The Company entered into a Master Services Agreement (MSA) with Batavia Biosciences to develop an industrial scale manufacturing method for the production of MIS416. The Company has given notice of termination. Under the MSA the Company is liable to pay for the completion of certain work packages. The Company believes that the completion of these work packages is a benefit as it will allow the Company to manufacture MIS416 in the future, should it deem appropriate, even though the Auckland drug manufacturing facility ceases. The Company has estimated that it has a future commitment under the MSA of Euro 500,000. This amount is not been included as a liability in these accounts.

GOING CONCERN

The financial statements have been prepared on a going concern basis after taking into consideration the net loss for the six months of \$2,496,046 and the cash and cash equivalents balance of \$4,335,207. The going concern basis contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent on it maintaining sufficient funds for its operations and commitments. In June 2017 the Company announced that the top line results from the Phase 2B trial of MIS416 for the treatment of subjects with secondary progressive multiple sclerosis (SPMS) had failed to demonstrate efficacy. Subsequent more detailed analysis did not change this negative initial result. As a result the Company has terminated the SPMS clinical programme and is closing its Auckland based physical operations. This will result in a substantial reduction in day to day operating expenses and following the closure it is expected the Group will have sufficient funds to continue as a going concern and meet its obligations as and when they become due and payable.

While the Company has promising preclinical data that supports the possible utility of MIS 416 in at least three other therapeutic areas, the Directors do not believe that raising substantive funds, from existing shareholders, in the near term is a realistic option. Accordingly, the Directors are actively reviewing a number of possible options whereby new intellectual property might be acquired. In the event of a successful acquisition the nature of the Group's future operations and prospects will be influenced by this new technology. The ability of the Group to pursue these options will depend on the continued support of its shareholders.

The Directors continue to monitor the ongoing funding requirements and are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

SEGMENT REPORTING

A segment is a component of the Consolidated Entity that engages in business activities to provide products or services within a particular environment. The Consolidated Entity operates in one operating segment, being the biopharmaceutical sector, and the majority of its activities are concentrated in researching and developing a sole asset, being its leading drug candidate.

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes, of the Consolidated Entity, are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2017 and of its performance for the half year ended on that date;
 - b) with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to Section 303(5) of the Corporations Act 2001.



Simon Wilkinson
30 November 2017

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Independent Auditor's Review Report To the Members of Innate Immunotherapeutics Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Innate Immunotherapeutics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Innate Immunotherapeutics Limited does not give a true and fair view of the financial position of the Group as at 30 September 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Innate Immunotherapeutics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 30 November 2017