



APPENDIX 4E

PRELIMINARY FINAL REPORT
GIVEN TO THE ASX UNDER LISTING RULE 4.3A

INNATE IMMUNOTHERAPEUTICS LIMITED

ACN 165 160 841

FINANCIAL YEAR ENDED 31 MARCH 2018

HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET
(figures are in A\$000s)

	March 2018 \$000s	March 2017 \$000s	Change \$000s	Change %
OTHER INCOME	669	1,892	(1,223)	-65%
PROFIT/(LOSS) BEFORE INCOME TAX	(4,298)	(7,076)	2,778	-39%
PROFIT/(LOSS) AFTER INCOME TAX	(4,298)	(7,076)	2,778	-39%
WEIGHTED EARNINGS PER SHARE - CENTS	(1.9)	(3.3)	1.4	-42%

	<u>Current Year</u>	<u>Previous Year</u>
Interim Dividend	nil	nil
Final Dividend	nil	nil
	<hr/>	<hr/>
	nil	nil

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

Record Date for determining entitlement to Dividend n/a

Payment date of Dividend n/a

The company's Annual General Meeting will be held on Thursday 30 August 2018 at 11:00am
Venue: Collins Square, Tower 1, 727 Collins Street, Docklands VIC 3008

COMMENTARY

The year witnessed the unexpected failure of a long running clinical development programme in secondary progressive multiple sclerosis. The Group's Phase 2B randomised, double-blind, placebo-controlled trial of the efficacy and safety of MIS416 in the treatment of subjects with secondary progressive multiple sclerosis did not show clinically meaningful or statistically significant differences in measures of neuromuscular function or patient reported outcomes. The adverse consequences of this outcome were significant and resulted in compassionate patients ultimately losing access to drug, staff redundancies, and a major loss of shareholder value.

During this very stressful period, the Board sought to communicate as clearly and effectively as possible with all the affected groups and in particular to support the Group's long serving and dedicated employees.

The Board also considered options for the Group's future and in particular possible opportunities to rebuild shareholder value.

Following the review of a number of opportunities that might have been suitable to acquire and/or merge into the business, the Board elected to pursue the acquisition of a very promising pipeline of Focal Adhesion Kinase ("FAK") inhibitors held by Melbourne based Amplia Therapeutics Pty Ltd ("Amplia").

In reaching this decision, Directors took into account multiple factors including:

- the strong biologic rationale supporting FAK as a potentially important target in a range of fibrotic diseases, including both cancers and fibrosis;
- the apparent superiority of Amplia's FAK inhibitors compared to competing molecules in terms of drug-like properties, biological selectivity and manufacturability;
- strong IP position with composition of matter patents issued or in national phase in major markets;
- straightforward clinical pathway to advance at least one of the drug candidates towards USA IND Phase 2 readiness;
- potential 'multiple shots on goal' arising from having two related by differentiated drug candidates and several disease targets including pancreatic cancer; and
- the quality and relevant experiences of the Amplia founders and their academic collaborators.

A conditional agreement to acquire all the shares in Amplia in exchange for new shares in the Company was reached in late March. The transaction was approved by shareholders on 26 April and completed on 4 May 2018.

The Group loss after tax for the year ended 31 March 2018 was \$4,298k (2017: \$7,076k). This result included non-cash expenses of depreciation and amortisation of \$20k (2017: \$37k) and share based compensation of \$75k (2017: \$929k). Since 31 March 2017, the net assets of the Group have decreased by \$4,264k to be \$2,364k at 31 March 2018.

In September 2017 the Group received a Research and Development tax incentive payment of \$1,849k from the Australian Government (2017: \$1,824k). This primarily related to clinical trial expenditure in the previous financial year. The Group expects to receive a further R&D incentive payment of approximately \$168k in respect of qualifying expenses during the financial year to 31 March 2018. This expected payment has been included as a future receivable in the financial statements to 31 March 2018 (2017: \$1,436k).

Research and development expenses decreased to \$3,224k (2017: \$6,036k). This reflected the completion of the Group's Phase 2B safety and efficacy trial of MIS416 in patients with secondary progressive multiple sclerosis and the subsequent closure of the day to day scientific and drug manufacturing operations in Auckland.

Share based compensation decreased to \$75k (2017: \$929k). This is a non-cash expense and related to the amortisation of options previously issued to Directors and employees. No new options were issued to Directors or employees during the financial year.

The Group did not issue any new shares or options during the financial year. At 31 March 2018, Innate Immunotherapeutics Limited had 225,625,991 ordinary shares on issue and 15,675,000 options outstanding (2017: 225,625,991 shares and 24,160,000 options).

As a consequence of winding down these operations in late 2017, the Groups non-current assets, comprising plant and equipment, were disposed of resulting in a nil value at 31 March 2018 (2017: \$162k). Current liabilities were also significantly reduced to \$279k (2017: 908k). Property lease commitments ceased on 31 December 2017. The Group has no debt.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 March 2018	31 March 2017
	\$000s	\$000s
REVENUE	-	-
OTHER INCOME		
Rent received	24	33
Interest income	27	61
R&D incentives	<u>618</u>	<u>1,798</u>
TOTAL OTHER INCOME	669	1,892
EXPENDITURE		
Research & development expenses	(3,224)	(6,036)
Patent and associated expenses	(102)	(205)
Business development expenses	(192)	(297)
General and administration expenses	(1,354)	(1,464)
Depreciation & amortisation	(20)	(37)
Share based compensation (directors, employees & non-employees)	<u>(75)</u>	<u>(929)</u>
TOTAL EXPENDITURE	(4,967)	(8,968)
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE	(4,298)	(7,076)
Income tax (expense)	-	-
PROFIT / (LOSS) AFTER INCOME TAX	<u>(4,298)</u>	<u>(7,076)</u>
OTHER COMPREHENSIVE INCOME		
Foreign currency translation	(43)	57
Income tax thereon	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME NET OF INCOME TAX	<u>(43)</u>	<u>57</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(4,341)</u>	<u>(7,019)</u>
EARNINGS PER SHARE		
Basic and diluted earnings per share (weighted)	(1.9) cents	(3.3) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2018	31 March 2017
	\$000s	\$000s
Current Assets		
Cash & cash equivalents	2,229	5,763
Prepayments	-	34
Accounts receivable	-	132
R&D incentive accrual	168	1,436
Other current assets	<u>246</u>	<u>9</u>
Total current assets	<u>2,643</u>	<u>7,374</u>
Non Current Assets		
Property, plant & equipment	<u>-</u>	<u>162</u>
Total non current assets	<u>-</u>	<u>162</u>
Total Assets	<u>2,643</u>	<u>7,536</u>
Current Liabilities		
Accounts payable & accrued liabilities	<u>279</u>	<u>908</u>
Total current liabilities	<u>279</u>	<u>908</u>
Non Current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>279</u>	<u>908</u>
Net Assets	<u>2,364</u>	<u>6,628</u>
Equity		
Paid in capital	123,019	123,019
Foreign currency translation reserve	(1,819)	(1,776)
Share option reserve	1,469	2,166
Retained earnings / (accumulated losses)	<u>(120,305)</u>	<u>(116,779)</u>
Total Equity	<u>2,364</u>	<u>6,630</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$000s	Retained Earnings \$000s	Share Option Reserve \$000s	Foreign Currency Translation \$000s	Total Equity \$000s
CONSOLIDATED ENTITY					
At 1 April 2016	114,231	(109,703)	1,310	(1,835)	4,003
(Loss) after income tax for the year	-	(7,076)	-	-	(7,076)
Other comprehensive income net of tax	-	-	-	59	59
Total comprehensive (loss) after tax	-	(7,076)	-	59	(7,017)
Transactions with owners in their capacity as owners					
Issue of shares (net of costs)	8,715	-	-	-	8,715
Transfer due to exercise of employee options	73	-	(73)	-	-
Issue of share options	-	-	929	-	929
	8,788	-	856	-	9,644
At 31 March 2017	123,019	(116,779)	2,166	(1,776)	6,630
(Loss) after income tax for the year	-	(4,298)	-	-	(4,298)
Other comprehensive income net of tax	-	-	-	(43)	(43)
Total comprehensive (loss) after tax	-	(4,298)	-	(43)	(4,341)
Transactions with owners in their capacity as owners					
Issue of shares (net of costs)	-	-	-	-	-
Transfer due to expiry of options	-	772	(772)	-	-
Issue of share options	-	-	75	-	75
	-	772	(697)	-	75
At 31 March 2018	123,019	(120,305)	1,469	(1,819)	2,364

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31 March 2018 <u>\$000s</u>	Year Ended 31 March 2017 <u>\$000s</u>
Cash flows related to operating activities		
Rent received	24	33
Interest received	28	63
R&D incentive received	1,849	1,824
Payments to suppliers	(3,870)	(6,678)
Payments to employees	(1,580)	(1,404)
Net Operating Cash Flows	<u>(3,549)</u>	<u>(6,162)</u>
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(4)	(46)
Proceeds from disposal of property, plant and equipment	6	-
Net investing cash flows	<u>2</u>	<u>(46)</u>
Cash flows related to financing activities		
Issue of ordinary shares & exercise of options	-	8,917
Capital raising, listing & other costs	(13)	(202)
Net financing cash flows	<u>(13)</u>	<u>8,715</u>
Net increase/(decrease) in cash held	(3,560)	2,507
Cash at beginning of period	5,763	3,201
Foreign exchange effect on cash & cash equivalents balances	26	55
Cash at end of period	<u>2,229</u>	<u>5,763</u>
Reconciliation of cash		
Cash & cash equivalents in Statement of Financial Position	<u>2,229</u>	<u>5,763</u>

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 March 2018 \$000s	31 March 2017 \$000s
Profit / (loss) before income tax has been determined after:		
Income		
R&D incentives	618	1,798
Expenses		
Depreciation - leasehold improvements	1	2
- plant & equipment	16	26
- office furniture & equipment	3	9
Rent & security	88	132
Repairs & maintenance	8	19
Employee benefits	1,616	1,520
Foreign exchange loss/(gain)	(18)	33
Share based compensation - directors	-	598
- employees	75	331
- non employee	-	-
The remuneration of the auditors was:		
- audit services	42	46
- tax services	13	9
- other services	10	10

DETAILS OF INVESTMENTS IN CONTROLLED ENTITIES

	Ownership Interest	31 March 2018 Investment	Ownership Interest	31 March 2017 Investment
Innate Immunotherapeutics (NZ) Limited	100%	\$0	100%	\$0

EARNINGS PER SHARE (EPS)

Details of basic and diluted EPS in accordance with paragraph 9 and 18 of AASB 133:

Earnings used in the calculation of basic EPS	(4,298)	(7,076)
Earnings used in the calculation of diluted EPS	(4,298)	(7,076)
Weighted average number of shares outstanding during the year	Number	Number
Basic EPS	225,625,991	212,734,166
Diluted EPS	225,625,991	212,734,166

Options and loyalty rights have not been 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.

	Cents	Cents
Basic EPS - cents	(1.9)	(3.3)
Diluted EPS - cents	(1.9)	(3.3)

NET TANGIBLE ASSET BACKING PER SHARE

Net tangible asset backing per share - cents	1.0	2.9
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DIVIDENDS

Interim Dividend	nil	nil
Final Dividend	nil	nil
	<u>nil</u>	<u>nil</u>

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 March 2018 <u>\$000s</u>	31 March 2017 <u>\$000s</u>
CONSOLIDATED RETAINED PROFITS/(LOSSES)		
Retained profits/(accumulated losses) at the beginning of the financial year	(116,779)	(109,703)
Net profit attributable to members	(4,298)	(7,076)
Transfer due to expiry of options	<u>772</u>	<u>-</u>
Retained profits/accumulated losses at the end of the financial year	<u>(120,305)</u>	<u>(116,779)</u>
ORDINARY SHARES ON ISSUE	NUMBER	NUMBER
Number of securities on issue at beginning of year	225,625,991	196,442,177
Shares issued	<u>-</u>	<u>29,183,814</u>
Number of securities on issue at end of year	<u>225,625,991</u>	<u>225,625,991</u>

OPTIONS

There were 15,675,000 (2017: 24,160,000) options outstanding at balance date.

POST BALANCE DATE EVENTS

On 26 April 2018 the Company's shareholders approved the 10 to 1 consolidation of the Company's issued share capital. As a result the number of issued shares reduced to 22,562,995 pre the acquisition of Amplia Therapeutics Pty Ltd ("Amplia"). The Company's shareholders also approved the issue of 18,460,308 fully paid ordinary shares (on a post consolidation basis) for the acquisition of 100% of Amplia at a deemed issue price of \$0.21 per share. Amplia possesses two Focal Adhesion Kinase inhibiting assets (AMP886 & AMP945) which represent highly attractive compounds for clinical development. The accounting for this acquisition has not yet been finalised and is not included in these financial statements.

No other matters or circumstances have arisen since the end of the financial year 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.

GOING CONCERN

The financial statements have been prepared on a going concern basis after taking into consideration the net loss for the twelve months of \$4,298k and the cash and cash equivalents balance of \$2,229k. 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. As a result the Company terminated the SPMS clinical programme and has closed it's Auckland based physical operations.

On 26 April 2018 (refer above) the Company's shareholders approved the acquisition of Amplia. The Company is now pursuing new opportunities using the acquired licence over the two preclinical drug candidates AMP886 & AMP945 and related knowhow. The exploitation of these opportunities will require future funding. The Directors continue to monitor these ongoing funding requirements and are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

AUDIT STATUS

The accounts are currently in the process of being audited.