REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the board of directors of
INmune Bio, Inc.
La Jolla, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of INmune Bio, Inc. (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive loss, and cash flows for each of the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Other Matters

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has not yet generated any revenue from operations since inception that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GBH CPAs, PC

We have served as the Company's auditor since 2017.

GBH CPAs, PC

www.gbhcpas.com
Houston, Texas
May 25, 2018

INMUNE BIO, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	$ 1,370,711	$ 141,659
Research and development tax credit receivable	106,866	68,866
VAT receivable	111,618	35,239
Joint development cost receivable	109,124	156,381
Prepaid expenses	42,647	3,000
Prepaid expenses – related party	158,504	46,462
TOTAL CURRENT ASSETS	1,899,470	451,607
Acquired in-process research and development intangible assets	16,514,000	-
TOTAL ASSETS	$ 18,413,470	$ 451,607
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 126,257	$ 207,709
Accounts payable and accrued liabilities – related parties	183,460	13,101
Short-term debt – related party	-	350,000
Stock payable	-	30,000
TOTAL LIABILITIES	309,717	600,810
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $0.001 par value, 210,000,000 shares authorized, 8,319,441 and 5,066,667 shares issued and outstanding, respectively	8,319	5,067
Additional paid-in capital	19,171,237	124,933
Common stock issuable	50,000	50,000
Accumulated other comprehensive income (loss)	32,042	(2,844)
Accumulated deficit	(1,157,845)	(326,359)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	18,103,753	(149,203)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 18,413,470	$ 451,607

See accompanying notes to these consolidated financial statements.

INMUNE BIO, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUE	$ -	$ -
OPERATING EXPENSES		
General and administrative	546,118	125,996
Research and development	435,362	101,495
Total operating expenses	981,480	227,491
LOSS FROM OPERATIONS	(981,480)	(227,491)
OTHER INCOME (EXPENSE)		
Other expense	(6)	-
Gain (loss) on legal settlements	150,000	(50,000)
Total other income (expense)	149,994	(50,000)
NET LOSS	$ (831,486)	$ (277,491)
Net loss per common share – basic and diluted	$ (0.13)	$ (0.06)
Weighted average number of common shares outstanding – basic and diluted	6,564,326	5,000,182
COMPREHENSIVE INCOME (LOSS)		
Net loss	$ (831,486)	$ (277,491)
Other comprehensive income (loss) – gain (loss) on foreign currency translation	34,886	(2,844)
Total comprehensive loss	$ (796,600)	$ (280,335)

See accompanying notes to these consolidated financial statements.

INMUNE BIO, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Common Stock		Additional Paid-In Capital	Common Stock Issuable	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Par Value					
Balance, December 31, 2015	5,000,000	$ 5,000	$ 25,000	$ -	$ -	$ (48,868)	$ (18,868)
Proceeds from issuance of common stock for cash	66,667	67	99,933	-	-	-	100,000
Legal settlement	-	-	-	50,000	-	-	50,000
Loss on foreign currency translation	-	-	-	-	(2,844)	-	(2,844)
Net loss	-	-	-	-	-	(277,491)	(277,491)
Balance, December 31, 2016	5,066,667	5,067	124,933	50,000	(2,844)	(326,359)	(149,203)
Issuance of common stock and warrants in exchange for intangible assets	1,585,000	1,585	16,412,415	-	-	-	16,414,000
Issuance of common stock for conversion of short term debt – related party	233,345	233	349,767	-	-	-	350,000
Issuance of common stock for cash	1,393,335	1,393	2,054,607	-	-	-	2,056,000
Issuance of common stock for settlement of stock payable	20,000	20	29,980	-	-	-	30,000
Stock-based compensation	21,094	21	199,535	-	-	-	199,556
Gain on foreign currency translation	-	-	-	-	34,886	-	34,886
Net loss	-	-	-	-	-	(831,486)	(831,486)
Balance, December 31, 2017	8,319,441	$ 8,319	$ 19,171,237	$ 50,000	$ 32,042	$ (1,157,845)	$ 18,103,753

See accompanying notes to these consolidated financial statements.

INMUNE BIO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (831,486)	$ (277,491)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	199,556	-
(Gain) loss on lawsuit settlements	(150,000)	50,000
Changes in operating assets and liabilities:		
Research and development tax credit receivable	(38,000)	(68,866)
VAT receivable	(76,379)	(35,239)
Joint development cost receivable	47,257	(156,381)
Prepaid expenses	(39,647)	(3,000)
Prepaid expenses – related party	(112,042)	(46,462)
Accounts payable and accrued liabilities	68,548	206,959
Accounts payable and accrued liabilities – related parties	170,359	13,101
Net cash used in operating activities	(761,834)	(317,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for acquired in-process research and development intangible assets	(100,000)	-
Net cash used in investing activities	(100,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of short-term debt – related party	-	350,000
Net proceeds from sale of common stock	2,056,000	100,000
Net cash provided by financing activities	2,056,000	450,000
Impact on cash from foreign currency translation	34,886	(2,844)
NET INCREASE IN CASH	1,229,052	129,777
CASH AT BEGINNING OF YEAR	141,659	11,882
CASH AT END OF YEAR	$ 1,370,711	$ 141,659
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest expense	$ -	$ -
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock and warrants for acquired in-process research and development intangible asset	$ 16,414,000	$ -
Conversion of related party debt to common stock	$ 350,000	$ -
Issuance of common stock for settlement of accounts payable	$ 30,000	$ -

See accompanying notes to these consolidated financial statements.

INMUNE BIO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

INmune Bio, Inc. (the "Company" and/or "INmune") was originally organized in the State of Nevada on September 25, 2015 and is an early stage specialty pharmaceutical company focused on developing pioneering strategies for oncology that focus on engineering and harnessing the innate immune system to treat the patient's cancer. INmune's proprietary is to focus on the innate immune system that include natural killer cells ("NK cells"), myeloid derived suppressor cells ("MDSC cells") and dendritic cells ("DC cells"), which are believed to offer unique therapeutic opportunities. INmune plans to develop their two existing drug platforms: INKmune ("INKmune") which primes NK cells and INB03 ("INB03") which down regulates MDSC cells. Together or individually, the Company expects that these therapies will harness the innate immune system to provide a unique set of therapies for patients with cancer.

INmune Bio International Ltd (England) ("INmune UK") is a wholly owned subsidiary of INmune that was formed on April 6, 2016 in the United Kingdom ("UK"). INmune UK was duly organized under the laws of England and has

1,000 shares owned by INmune. The Company will perform its drug manufacturing and currently performs its drug research and development in the UK and will continue to perform research and development activities in this region. The UK has a research and development ("R&D") rebate program that allows the Company to recover some of its R&D expenses (see further discussion in Note 4).

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America and the rules of the Securities and Exchange Commission ("SEC").

The consolidated financial statements herein have been prepared in accordance with GAAP and include the accounts of the Company and those of its wholly-owned subsidiary, INmune UK. All significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

The Company's financial statements are presented in the U.S. dollar ("$"), which is the Company's reporting currency, while its functional currencies are the U.S. Dollar for its U.S. based operations and British Pound ("GBP") for its United Kingdom-based operations. All assets and liabilities are translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statement of operations and comprehensive income (loss). The following table details the exchange rates used for the respective periods:

	December 31, 2017	December 31, 2016
Period end: GBP to USD exchange rate	$ 0.7399	$ 0.8127
Average period: GBP to USD exchange rate	$ 0.7765	$ 0.7402

NOTE 2 – GOING CONCERN

As of December 31, 2017, the Company had an accumulated deficit of $1,157,845. Losses have principally occurred as a result of the substantial resources required for research and development of the Company's products which included the general and administrative expenses associated with its organization and product development as well as the lack of sources of revenues until such time as the Company's products are commercialized. These factors raise substantial doubt about the Company's ability to continue as a going concern from the issuance date of these financial statements. These financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties. Management plans to obtain additional funding through the issuance of common stock for cash and by implementing its strategic plan to allow the opportunity for the Company to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results and outcomes may differ from management's estimates and assumptions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company may carry cash balances at financial institutions in excess of the federally insured limit of $250,000. At December 31, 2017, the Company's cash in excess of the federally insured limit was $1,000,150.

Receivables, Net

Receivables currently consist of an R&D tax credit receivable, valued added tax ("VAT") receivable and joint development cost receivable. The R&D tax credit receivable is recorded when R&D is incurred. At that time, the Company records a receivable for the amount of the credit it expects to receive based on the expenses incurred. The VAT receivable is recorded when the Company receives an invoice with VAT related to it. The receivable is recorded for the amount expected to be returned when the VAT tax return is filed. The joint development cost receivable is recorded when the Company incurs R&D expenses based on the amount it expects to receive as a reimbursement per the Novamune agreement (see Note 4 for detailed explanation of the agreement). The collectability of these receivables are evaluated periodically based on the actual R&D credit returns submitted, the VAT returns submitted and the amounts received from Novamune. As of December 31, 2017 and 2016, there were no trade receivables.

Intangible Assets

The Company capitalizes costs incurred in connection with in-process research and development purchased from others if the asset has alternative uses and such uses are not restricted under applicable license agreements; patent applications (principally legal fees), patent purchases, and trademarks related to its cell line as intangible assets. Acquired in-process research and development costs that do not have alternative uses are expensed as incurred. Amortization is initiated for acquired in-process research and development intangible assets when their useful lives have been determined. These acquired in-process research and development intangible assets are tested at least annually or when a triggering event occurs that could indicate a potential impairment.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position. At December 31, 2017, the Company had 864,668 potentially issuable shares of common stock upon the exercise of warrants. There were no potentially dilutive shares at December 31, 2016.

Stock-Based Compensation

The Company recognizes compensation expense, net of forfeitures, on a straight-line basis over the requisite service period, which is equal to the applicable vesting period.

The Company accounts for equity instruments issued to non-employees using a fair value approach under ASC Subtopic 505-50, *Equity-Based Payments to Non-Employees*. The Company values equity instruments and stock options granted to non-employees at fair value using the Black-Scholes option-pricing model. The value of non-employee stock-based compensation is subject to periodic adjustments as the underlying equity instruments vest and is recognized as an expense over the term of the related financing or the period over which services are received.

Research and Development

Research and development costs are expensed as incurred. Research and development credits are recorded by the Company as a reduction of research and development costs. Major components of research and development costs include cash compensation, stock-based compensation, depreciation and amortization expense on research and development property and equipment, costs of preclinical studies, clinical trials and related clinical manufacturing, costs of drug development, costs of materials and supplies, facilities cost, overhead costs, regulatory and compliance costs, and fees paid to consultants and other entities that conduct certain research and development activities on the Company's behalf.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Reclassifications

Certain amounts for prior periods have been reclassified to conform to the current presentation.

New and Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The standard's core principle (issued as Accounting Standards Update ("ASU") 2014-09 by the FASB), is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 by one year, and would allow entities the option to early adopt the new revenue standard as of the original effective date. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2017 The Company does not expect the new standard to have a material effect on its consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" (Topic 606). In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross verses Net)" (Topic 606). These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, "Revenue from Contracts with Customers". The amendments in ASU 2016-10 provide clarifying guidance on materiality of performance obligations; evaluating distinct performance obligations; treatment of shipping and handling costs; and determining whether an entity's promise to grant a license provides a customer with either a right to use an entity's intellectual property or a right to access an entity's intellectual property. The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The adoption of ASU 2016-10 and ASU 2016-08 is to coincide with an entity's adoption of ASU 2014-09, which we intend to adopt for interim and annual reporting periods beginning after December 15, 2017. The Company does not expect the new standard to have a material effect on its consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation" (Topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The Company has adopted this standard effective January 1, 2017.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Company is currently in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant impact on its financial position, results of operations, or cash flows.

Subsequent Events

The Company has evaluated all transactions from December 31, 2017 through June 11, 2018, the financial statement issuance date for subsequent disclosure consideration.

NOTE 4 – RESEARCH AND DEVELOPMENT ACTIVITY

The Company incurred $435,362 and $101,495 of research and development costs for the years ended December 31, 2017 and 2016, respectively.

According to United Kingdom tax law, the Company is allowed an R&D tax credit that reduces a company's tax bill in the UK for expenses incurred in R&D. According to the United Kingdom Government, R&D takes place when a project seeks to achieve an advance in overall knowledge or capability in a field of science or technology. A company has to have staff headcount of less than 500 and either revenue of less than €100m or a balance sheet total of less than €86m. INmune UK submitted R&D tax credit requests for research and development expenses incurred, and recorded a related receivable in the amount of $106,866 and $68,866 as of December 31, 2017 and 2016, respectively.

The Company is also eligible to recover all VAT for all R&D expenses paid. INmune UK recorded a VAT receivable of $111,618 and $35,239 as of December 31, 2017 and 2016, respectively.

During 2017 and 2016, the Company received $150,031 and $0 of VAT and R&D tax credit reimbursements, respectively.

Xencor, Inc. License Agreement

On October 3, 2017, the Company entered into a license agreement ("Xencor License Agreement") with Xencor, Inc. ("Xencor"), which has discovered and developed a proprietary biological molecule that inhibits soluble tumor necrosis factor. Pursuant to the license agreement, Xencor granted the Company an exclusive worldwide, royalty-bearing license in licensed patent rights, licensed know-how and licensed materials (as defined in the license agreement) to make, develop, use, sell and import any pharmaceutical product that comprises, contains, or incorporates Xencor's proprietary protein known as "XPRO1595" that inhibits soluble tumor necrosis factor (or all modifications, formulations and variants of the licensed protein that specifically bind soluble tumor necrosis factor) alone or in combination with one or more active ingredients, in any dosage or formulation ("Licensed Products"). The Company believes the protein has numerous medical applications. Such additional alternative applications of the technology are available under the license agreement. In connection with the license agreement, the Company paid Xencor a one-time non-creditable and non-refundable fee of $100,000 and agreed to issue Xencor shares of the Company's common stock equal to 19% of our fully diluted company shares the value of which are discussed below. The Company also issued warrants to Xencor which is discussed below.

The Company also agreed to pay Xencor a royalty of 5% of all Licensed Products in a given calendar year, which are payable on a country-by- country and licensed product by licensed product basis until the date that is the later of (a) the expiration of the last to expire valid claim covering any pharmaceutical product that contains, comprises, or incorporates Xencor's proprietary protein known as XPro1595 alone or in combination with one or more active ingredients, in any dosage or formulation. ("Licensed Product") in such country or (b) ten years following the first sale to a third party of the licensed product in such country.

Under the Xencor License Agreement, the Company also agreed to pay Xencor a percentage of any sublicensing revenue that it receives.

In connection with the Xencor License Agreement, the Company entered into a stock issuance agreement with Xencor pursuant to which it issued Xencor 1,585,000 shares of its common stock with a fair value of $12,221,000 based on the discounted cash flow method of the income approach as set forth in an independent valuation report dated November 17, 2017, and fully vested warrants to purchase an additional number of shares of common stock equal to 10% of the fully diluted company shares immediately following such purchase with a fair value of $4,193,000 based on the Black-Scholes Option Pricing Model

The warrants have a total exercise price of $10,000,000 per share and expire on October 3, 2023. The aggregate purchase price for the full exercise of the option to Acquire Additional Shares is $10,000,000, which shall be pro-rated for any partial exercise of the option for less than 10% of the fully diluted shares immediately following such purchase. The purchase price for the additional shares may be paid by cash or by way of a cashless exercise. In connection with the stock issuance agreement, the Company, Xencor and more than 90% of shareholders as of September 30, 2017 ("Key Holders") entered into a voting agreement. Pursuant to the voting agreement, Xencor and the Key Holders agreed to vote their respective shares to vote one individual designated by the holder of a majority of Xencor's shares of the Company's common stock to the Company's board of directors. The voting agreement shall continue from the date hereof through the earliest of the following dates, on which date it shall terminate in its entirety: (a) the date of a qualified offering, as defined in the issuance agreement; (b) ten years from the date of the voting agreement; (c) the date of the closing of a qualified sale, as defined in the issuance agreement; or (d) the date as of which the parties listed above terminate this agreement by written consent of the holders of a majority of the Investor Shares.

The Company recorded $16,514,000 for the acquisition of intangible assets for the in-process research and development in 2017 as the fair value of the cash, stock and warrants on the date of the License Agreement acquisition in accordance with Accounting Standards Codification 730 – *Research and Development.* The Company has the license rights to pursue alternative applications of the technology as part of its future development plans.

Novamune Joint Development Agreement

On September 3, 2016, the Company entered into a joint development agreement with Novamune, Inc. ("Novamune") (the "Development Agreement"). Novamune is owned by a significant shareholder of the Company. Novamune had previously developed and licensed technology relating to ex-vivo activation of NK cells for the treatment of cancer and other diseases. The parties agreed to exclusively collaborate on the further development of technologies related to NK cells for therapeutic applications. The Company and Novamune agreed to share equally in the costs related to such joint development projects and agreed to jointly own any intellectual property developed by the joint projects, provided that Novamune shall have an exclusive royalty free license to use any such intellectual property relating to ex-vivo applications and the Company shall have an exclusive royalty free license to use any such intellectual property relating to in-vivo applications. The Development Agreement is subject to Novamune investing a total of $1,250,000 in the Company, of which $350,000 was advanced through a convertible note payable in 2016 (see further discussion in Note 5). As of December 31, 2017 and 2016, the Company had a joint development receivable outstanding related to Novamune's portion of R&D costs incurred through year-end of $109,124 and $156,381, respectively.

INKmune License Agreement

On October 29, 2015, the Company entered into an exclusive license agreement with Immune Ventures, LLC ("Immune Ventures"), owner of all of the rights related to our principal patent (the "INKmune License Agreement"). Pursuant to the INKmune License Agreement, the Company was granted exclusive worldwide rights to the patents, including rights to incorporate any improvements or additions to the patents that may be developed in the future. In consideration for the patent rights, the Company agreed to the following milestone payments:

Each Phase I initiation	$ 25,000
Each Phase II initiation	$ 250,000
Each Phase III initiation	$ 350,000
Each NDA/EMA filing	$ 1,000,000
Each NDA/EMA awarded	$ 9,000,000

In addition, the Company agreed to pay the licensor a royalty of 1% of net sales during the life of each patent granted to the Company. The Licensor is owned by RJ Tesi, our President and a member of our Board of Directors, David Moss, our Chief Financial Officer, and Treasurer and Mark Lowdell, our Chief Scientific Officer. As of December 31, 2017 and 2016, no sales had occurred under this license.

NOTE 5 – RELATED PARTY TRANSACTIONS

A significant shareholder of the Company is also the owner of various companies that conduct business with the Company, including Luminus Holdings, Inc. ("Luminus"), Novamune, and Advent Bioservices, Inc. ("Advent Bioservices") as follows:

Short-term debt – related party

On May 9, 2016, the Company received cash proceeds of $350,000 from the issuance of a convertible note to Novamune that matured on August 1, 2016, with a conversion rate of $1.50 per share, and an annual interest rate of 8%. On September 3, 2016, the maturity date was extended to March 3, 2017. The convertible note was converted into 233,345 shares of common stock of the Company during 2017. Novamune is owned by a significant shareholder of the Company.

Prepaid expense – related party

At December 31, 2017 and 2016, the Company had prepaid expense of $158,504 and $46,462, respectively, paid to UCL Consultants Limited, a wholly owned subsidiary of the University of London, in connection with medical research performed on behalf of the Company. The Company's Chief Scientific and Manufacturing Officer is a professor at the University of London.

Accounts payable and accrued liabilities – related parties

At December 31, 2017, the Company owed Advent Bioservices $173,314 for medical research provided on behalf of the Company. Advent Bioservices is owned by a significant shareholder of the Company.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Litigation settlement

In November 2016, an individual filed an action in Cook County, Illinois, against the Company; David J. Moss, its Chief Financial Officer, Treasurer and Secretary ; and Raymond J. Tesi, its president and Chief Executive Officer (the Company, Mr. Moss and Mr. Tesi are referred to collectively as the "Company Parties"). The action alleged claims against the Company Parties concerning payment of monies and/or securities allegedly owed. In April 2017, the Company Parties and the Claimant entered into a Settlement Agreement and Mutual General Release agreement with that individual (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company agreed to issue 33,335 shares of the Company's common stock valued at $50,000, based on the value of the stock of the last round of financing of $1.50 per share. The Company assessed the value of the common stock owed as of December 31, 2017, and determined that the $1.50 per share value form the most recent round of financing was still the most readily determinable value of the shares of the Company's common stock issuable as a part of this settlement. These shares have not been issued and are subject to a restriction on transfer for a period of two years from the date the Company completes an initial public offering or otherwise becomes a public company after which the Company will deliver the shares to the Claimant. The agreement to issue the shares following the two-year restriction period was a full and complete settlement of all claims that the Claimant may have had against the Company Parties and the Cook County action was dismissed with prejudice. The obligation was recorded as common stock issuable of $50,000 as of December 31, 2017 and 2016, respectively, pending delivery of the shares to the Claimant after the restriction period expires.

Trademark settlement

During 2017, the Company received notice that another company had filed a trademark application with the United States Patent and Trademark Office to register a certain trademark. The Company filed an opposition in the United States Trademark Trial and Appeal Board. Subsequently, INmune and the other company entered into a settlement agreement pursuant to which the Company agreed not to oppose the other company's trademark and the other company paid INmune cash proceeds of $150,000 in full consideration for the settlement agreement, which the Company recorded as other income in the consolidated statement of operations for the year ended December 31, 2017.

NOTE 7 – STOCKHOLDERS' EQUITY

The Company is authorized to issue up to 210,000,000 shares of common stock at par value $0.001 per share. As of December 31, 2017 and 2016, the Company had 8,319,441 and 5,066,667, respectively, of the Company's common stock issued and outstanding.

During 2016, the Company issued 66,667 shares of the Company's common stock for cash proceeds of $100,000.

As of December 31, 2016, the Company had $30,000 of outstanding stock payable due to its law firm for 20,000 shares of the Company's common stock valued at $1.50 per share based on the value of the services provided, that the Company agreed to issue as a part of its original agreement in 2015 with its law firm. These shares were issued during 2017.

During 2017, in connection with the Xencor License Agreement, the Company entered into a stock issuance agreement with Xencor pursuant to which it issued Xencor 1,585,000 shares of its common stock valued in total at $12,221,000 (see Note 4).

During 2017, the Company issued 1,393,335 shares of the Company's common stock for cash proceeds of $2,056,000 valued at approximately $1.50 per share.

During 2017, the Company issued 233,345 shares of its common stock for the conversion of the full value of the Company's outstanding convertible debt (converted at no interest) of $350,000 valued at approximately $1.50 per share.

As of December 31, 2017 and 2016, the Company recorded common stock issuable of $50,000 for 33,335 common shares related to a legal settlement valued at approximately $1.50 per share (see Note 6).

On October 3, 2017, the Company entered into an Assignment and Assumption Agreement with Immune Ventures. Pursuant to the Assignment and Assumption Agreement, Immune Ventures assigned all of its rights, obligations and liabilities under the Exclusive License Agreement between the University of Pittsburgh – Of the Commonwealth System of Higher Education and Immune Ventures. Pursuant to the Assignment and Assumption Agreement, the Company agreed to convert the amount Immune Ventures paid of $162,634 into shares of the Company's common stock at $7.71 per share, based on the per share value of the shares issued to Xencor, for 21,094 shares for the reimbursement of amounts paid by the Assignor to the University of Pittsburgh, which the Company recorded as stock-based compensation within research and development expense. These shares were issued on December 31, 2017.

Warrants

On June 30, 2017, the Company issued fully vested warrants to purchase 31,667 shares of the Company's common stock to a third party in conjunction with the common stock sold for cash, with an exercise price of $1.50, maturity date of June 30, 2022, and fair value of $36,922 using the Black-Scholes option-pricing model, which were recorded as stock-based compensation. The assumptions use for these warrants consisted of an exercise price of $1.50, expected dividends of 0%, expected volatility of 106.55%, a risk free rate of 1.89% an expected life of 5 years.

In connection with the Xencor License Agreement, the Company issued fully vested warrants to purchase an additional number of shares of common stock equal to 10% of the fully diluted Company shares immediately following such purchase. The fair value of these warrants was valued at $4,193,000 based on the Black-Scholes Option Pricing Model. The assumptions use for these warrants consist of an exercise price of $10,000,000, expected dividends of 0%, expected volatility of 84.9%, a risk free rate of 2.04% an expected life of 6 years.

NOTE 8 – INCOME TAXES

As of December 31, 2017, the Company had a cumulative U.S. tax net operating loss of $814,648 that can be carried forward to reduce future years' taxable income. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards. The Company's net operating loss carrying forwards, if not utilized, will begin to expire, beginning in 2035.

On December 22, 2017, new federal tax reform legislation was enacted in the United States (the "2017 Tax Act"), resulting in significant changes from previous tax law. The 2017 Tax Act reduces the federal corporate income tax rate to 21% from 34% effective January 1, 2018. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of the Company's deferred tax assets of $47,035 and a corresponding reduction in the valuation allowance.

The Company filed its UK tax return for the period from April 6, 2016 to December 31, 2016 and it had no tax liability. The Company's UK subsidiary incurred a loss in 2017 and expects no tax liability for 2017.

NOTE 9 – SUBSEQUENT EVENTS

Issuance of common stock for cash

On February 9, 2018, to complete a series of funding provided for in the Company's joint development agreement dated September 3, 2016, the Company received $900,000 in cash from Luminus in exchange for 400,000 shares of the Company's common stock. Luminus is owned by a significant shareholder of the Company.

Employment agreements

On January 1, 2018, the Company entered into 3-year employment agreements with its CEO and CFO. Pursuant to the employment agreements, the annual salary of each of the CEO and CFO shall be $120,000 per annum, respectively. In the event the Company raises $5,000,000 from an offering then the CEO's and CFO's salaries shall increase to $250,000 per annum, respectively, and if the Company raises $12,000,000 from an offering then the CEO's and CFO's salaries shall increase to $350,000 per annum.

Consulting agreement

On May 16, 2018, the Company entered into a consulting agreement with Pacific Seaboard Investments Ltd. for corporate governance, compliance services regarding the filing of a listing application and assist with activities related to its initial public offering. The term of the consulting agreement is from April 24, 2018 to May 1, 2021. In consideration of the consultant's services, the Company agreed to issue 600,000 shares of its restricted common stock, of which 200,000 shares shall be released as of the date hereof, 200,000 shares shall be locked up for six months after the effective date of the registration statement that this prospectus forms a part of and 200,000 shares shall be locked up for 10 months after the date of this offering.

Stock option grants

During March 2018, the CEO and CFO were each granted an option to purchase 400,000 shares of the Company's common stock with an exercise price of $7.80 and a 10-year term. One third of the options vested on January 1, 2018 and the remainder vest on a monthly basis over 24 months.

During March 2018, a board member was granted 400,000 shares of the Company's common stock with a $7.80 exercise price and a 10-year term. These options vest over 24 months.

During April 2018, the Company granted options to purchase 108,000 shares of the Company's common stock to each of four Board members, of which 3,000 options shall vest monthly. The options have a 10-year term and a $7.80 exercise price.