IMUGENE LIMITED

29 April 2005

Chairman's Report
Progress in the March Quarter 2005

Dear Shareholders

Tangible progress has been made on the development and commercialisation for our lead products. Although less newsworthy than the previous years of scientific trial announcements, the regulatory and development processes are vital to the products' ultimate success. As the lead products advance through this process they are increasing in value as they move closer to sales in global markets.

Regulatory and development timelines for animal health products are significantly shorter than human health products. Imugene is satisfied with the current progress of its lead products towards commercial sales. The regulatory and development phase is largely on track and there have been no significant impediments encountered to date.

After proof of concept there are equally important regulatory and development milestones including:

- Proving purity and consistency of component materials and the final product
- Dose and administration timing trials
- Regulatory trials and approvals
- Market positioning
- Demonstrating freedom from side effects.

All these processes are vital for successful commercial sales and must be handled with consistency and accuracy.

The appointments of Dr Paul MacLeman as Chief Operating Officer late last year and of Dr Peter Claxton as Regulatory Consultant signalled the transition of Imugene's lead products into this phase.

The key milestones for 2005 are:

- Regulatory trials and dossier preparation for the lead products – the priority product is the Poultry Productivity Enhancer

- Settlement of sub-license arrangements for the Poultry Productivity Enhancer

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- Efficacy, dose and administration timing trials of the Bird Flu vaccine
- Conclude external evaluation by animal health companies for the 'PRRS' vaccine
- Continue development of the RMT products, turning the laboratory potential into a range of commercially viable products
- Finalise manufacturing arrangements for the lead products

The management team at Imugene has been extremely busy pursuing these outcomes. Good progress on each of these milestones has been made during the quarter.

A summary of key activities follows.

Poultry Productivity Enhancer

As previously reported our lead product, the poultry productivity enhancer vaccine, has completed all pre-regulatory trials. The vaccine has demonstrated unsurpassed growth rates of 13-17% in poultry broilers (meat birds) with 7-8% improvements in Feed Conversion Efficiency, compared with unvaccinated birds. These growth rates are more than 8% above the theoretical maximum performance industry standard (Ross Standard). We have not seen any alternative antibiotic or other product come close to this performance.

The last quarter has seen a large amount of the background work for the regulatory and commercialisation phase for this product development.

The key milestones to be achieved are:

- Finalisation of sub-licensing the poultry productivity enhancer for all countries (other than Australia, New Zealand and Japan). Negotiations have progressed to final stages. Due to commercial confidentiality we cannot elaborate further at this stage.

  Imugene remains committed to partnering our lead Adenoviral Vector products to one or more major international animal health companies. We recognised at an early stage that a partner that is experienced in international regulatory affairs and has marketing reach can more quickly and successfully complete the global product roll out. Securing global regulatory approvals, production at global scales and international marketing and distribution is presently beyond Imugene's resources. Ultimately, this strategy represents better value for Imugene shareholders.

- Obtain approvals from the Office of Gene Technology Regulator (OGTR).

  During the last quarter, Imugene submitted results of trials as requested by the OGTR. On review, the OGTR requested a small additional trial, which Imugene commenced immediately. We expect this 4-week trial to be completed and the results submitted within the next month. Although regulatory timelines are beyond our control, we are now hoping for granting of the intentional release permit in the third quarter of this year.

- Undertaking large-scale field trials of the poultry productivity enhancer at a commercial poultry operation under typical farming conditions. Results from these trials will be used in a sales and marketing to demonstrate product efficacy to commercial users. OGTR approval is required for these trials to occur in Australia.

- Masterseed Production - This is the approved master 'bank' from which all future vaccines will be produced. Only vaccines produced from this masterseed bank are to be used for the remaining regulatory trials. Results from trials will be used to seek approval from the Australian Pesticides and Veterinary Medicines Authority to sell the vaccine in Australia.

  Imugene is in negotiations with an Australian vaccine manufacturer for the production for this masterseed for use by Imugene for product sales to Australian poultry producers. The masterseed for global sales will be manufactured by our sub-license partner.

40 billion chickens are produced globally each year with most produced at intensively farmed operations. The Poultry Productivity Enhancer, due to its unique qualities and low cost of production will be marketed to this global poultry market.

Avian Influenza (Bird Flu)

Imugene has developed a new trial vaccine to protect poultry from bird flu. Bird flu has been declared world's most serious health threat.

Imugene's vaccine uses the patented Adenoviral Vector for poultry and is undergoing a series of trials to evaluate dose, administration timing and optimal administration method. The vaccine will then undergo full challenge trials. Due to the highly pathogenic nature of the bird flu virus, this trial will be conducted in high security to prevent any risk of contamination. This series of trials should be completed during the second or third quarter of calendar 2005.

The effected Asian countries are actively seeking innovative control methods focussing on innovative vaccine technology. Imugene's new vaccine will be safer than traditional vaccines. It will also be more cost effective and easier to administer, creating significant advantages for market uptake. We are in discussions with several Asian countries regarding the future use of our vaccine.

Porcine Reproductive and Respiratory Syndrome (PRRS)

The PRRS vaccine completed in-house testing late last year. This vaccine is targeted to commercial partners in the northern hemisphere, as PRRS does not occur in Australia.

Imugene is currently purifying and testing the vaccine material for shipping to the major animal health companies for their evaluation trials. After these external trials, we expect to grant a full global sub-license for commercialisation.

Imugene's PRRS vaccine is highly effective against PRRS in a market with virtually no competition. We anticipate rapid market acceptance with high market penetration.

PRRS is a severe disease of pigs characterised by reproductive failure in female pigs and increased pre-weaning deaths and pneumonia in young growing pigs. The global revenue estimates for an effective PRRS vaccine has been revised upward to between US$200 – 400 million pa.

Receptor Mimic Technology

The initial RMT product under development will significantly reduce the impact of the diarrhoea causing E.coli which affects piglets post weaning. Commercial piggeries globally are affected by this disease causing bacteria, which is forecast to rise with the decreased use of in-feed antibiotics. The platform RMT technology has been developed by the University of Adelaide. Imugene's focus is to take this technology from laboratory success to full commercialisation. This involves multiple trials, including efficacy, safety, dosage and delivery trials. Several of these are completed.

Further trials will occur this calendar year to develop the RMT E.coli product. In addition, initial production and manufacturing scale up trials have been carried out. Two manufacturers have produced quantities in scale up batches and will further improve efficiencies.

The market for E. coli disease prevention is estimated at over US$450 million pa.

Corporate

Following the completion of a share placement, Imugene is in a solid cash position, suitable for developing lead products and advancing the broader pipeline. The Company has cash reserves of $4.4 million together with funds due from its various grants of $0.5 million. The Company's historical burn rate has averaged $175,000 per month for the past 9 months and is expected to increase to an average of $225,000 for the next 12 months.

Conclusion

Progressing our lead products through the regulatory and development process is a critical phase for Imugene. As progress and approvals are received, the products will be further 'de-risked' and are increasing in value as they get closer to world markets.

Progressing through the regulatory requirements is time consuming but the process can be streamlined with experienced management and careful planning of the path to market. Imugene's experienced team is actively managing this process and our commercialisation goals remain very achievable.

Yours faithfully

Graham Dowland
Chairman

ABOUT IMUGENE:

Imugene specialises in commercialising animal health products for production animals including pigs, poultry and cattle.

Imugene's products safely prevent disease and reduce or eliminate antibiotics and harmful chemicals in animals. Animal antibiotics and chemicals in the human food chain have been linked to the emergence of dangerous resistant bacteria in people and food residues.

Imugene owns the worldwide rights to two platform technologies. The ***Receptor Mimic Technology*** for gastrointestinal diseases of pigs and potentially all other animal species. Secondly, the ***Adenoviral Vector Delivery System*** for pigs and poultry delivers Imugene's highly effective *poultry productivity enhancer*.

Imugene's poultry and pig portfolio is targeting a worldwide US$3 billion annual market and replace existing chemical and antibiotic products. Consumer demands for residue free food and health regulatory pressures will bolster Imugene's prospects.

Visit the Imugene Website: ***www.imugene.com***

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

IMUGENE LIMITED

ABN	Quarter ended ("current quarter")
99 009 179 551	31 March 2005

Consolidated statement of cash flows

			Current quarter $A'000	Year to date (9 months) $A'000
Cash flows related to operating activities				
1.1	Receipts from customers		-	-
1.2	Payments for	(a) staff costs	(188)	(465)
		(b) advertising and marketing	-	(34)
		(c) research and development	(318)	(574)
		(d) leased assets	-	-
		(e) other working capital	(316)	(599)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		61	78
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Other		-	-
	Net operating cash flows		(761)	(1,594)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (9 months) $A'000
1.8	Net operating cash flows (carried forward)	**(761)**	**(1,594)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(2)	(2)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(2)	(2)
1.14	**Total operating and investing cash flows**	(763)	(1,596)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	1,631	5,277
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – Capital Raising Expenses	(85)	(263)
	Net financing cash flows	1,546	5,014
	Net increase (decrease) in cash held	783	3,418
1.21	Cash at beginning of quarter/year to date	3,598	963
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	4,381	4,381

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	143
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

(i) Executive salaries, bonuses and superannuation entitlements
(ii) Reimbursement of expenses;
(iii) Provision of Legal services; and
(iv) Non-executive directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	N/A
3.2	Credit standby arrangements	Nil	N/A

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	211	469
4.2	Deposits at call	4,170	3,129
4.3	Bank overdraft		
4.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	4,381	3,598

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does ~~*/does not* (delete one)*~~ give a true and fair view of the matters disclosed.

Sign here: ..... Date: 29 April 2005
Company Secretary

Print name: .....
ALEX NEULING

+ See chapter 19 for defined terms.