IMUGENE LIMITED

Chairmans address 2005 Annual General Meeting

24 November 2005

Dear Shareholders

Imugene owns a very significant product portfolio – the value of which continues to appreciate. The advanced products within this portfolio are enabling us to deliver our ultimate aim – that is maximum return to shareholders with minimum dilution.

Delivering on our aim

Our philosophy, whilst not new, does set us apart from many other development companies. We adopt a highly commercial evaluation and assessment process to all our research and development activities. This has enabled us to create real value in the advanced products at a comparatively minimal cost.

Maximising shareholder returns means that we must constantly measure the return (or estimate of returns) on capital employed. In small to medium sized biotechnology companies, this often receives scant attention while 'product candidates' undergo research. The value of R & D projects and the capital required to develop each project must be constantly measured against the key relevant parameters – including changing market conditions, relevance of set milestones, competitor advancement, and probably the toughest - the realistic assessment of the ability of the science to deliver the objective in a commercial setting.

At Imugene, we critically assess all our programs. Product developments or research that fail our stringent review are either modified, abandoned or re-prioritised to a lower position on the pecking order and share of resource allocation.

Disciplined application of this strategy has enabled Imugene to create a very valuable product portfolio, working primarily on our top five commercial product candidates.

It is generally accepted that as biotechnology products advance through the development processes their capital worth increases, our Poultry Productivity Enhancer is our lead example.

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The most recent advances – the Poultry Productivity Enhancer

The Poultry Productivity Enhancer has recently made substantial advances in value.

The formal signing of the sub-license agreement with Merial Limited, one of the world's largest and most respected animal health companies, was a major milestone for Imugene. Apart from providing credible validation to our platform vector delivery system, it signified that the product passed through Merial's stringent due diligence.

Within Merial, several divisions, including its manufacturing, regulatory, marketing and legal departments, have and continue to be involved with this product's development. Merial had been pursuing the product development well before the formal sub-license signing. Whilst the signing of the sub-license agreement is important and significant it is just one of Merial's internal steps on the critical time path for the product to achieve global product roll-out.

Another significant advancement is the smooth progress through the regulatory requirements in Australia. It is important in a global sense that we receive the necessary regulatory approvals in Australia – the country of origin. Imugene is pleased that the Poultry Productivity Enhancer is nearing the end of its assessment by the Office of Gene Technology Regulator (OGTR).

The OGTR's final risk assessment was released earlier this month. The conclusion reached was consistent with Imugene's stated position. Out of 40 conceivable risks to the environment that the OGTR assessed, 38 were dismissed and the remaining two have been declared negligible, requiring no risk management strategies. We look forward to the decision on the initial license which the OGTR indicated should be made early in 2006.

While this process has taken a little longer than originally anticipated, the additional work completed as part of the assessment process has reduced the amount of work required in other regulatory regimes and therefore approval times in these other jurisdictions. Importantly, there has been no deviation or delay to the critical time path of development for this product.

Bird Flu

The development of a viable and effective vaccine for bird flu remains a priority for Imugene. Imugene identified the risk 18 months ago, established our research programs and advanced our vaccine product research over that time.

This particular strain of Bird Flu, the H5N1 subtype, has received wide recognition world wide as a major threat to the poultry industry and to human populations.

With the constant media attention and political currency that Bird Flu has created over the past 12 months, comes confusion and ambitious claims by some research groups.

Imugene is working to develop a vaccine that will provide protection to the broiler industry from the devastating effects of the Bird Flu. By protecting the broiler flocks, not only will the commercial viability of the poultry industry be maintained, the spread of disease will be greatly reduced.

Using our patented platform adenoviral delivery technology, we have created several vaccine candidates. The major advantage of our platform vaccine technology is that it enables billions of birds to be vaccinated quickly, safely and inexpensively.

Current treatments all have negatives – they are either unsafe to use for fear of the vaccine and the virus mutating to form a more virulent strain, or they are too expensive to administer, that is each bird requires one or more injections.

The ultimate test for our vaccine is effectiveness. The quicker a protective immune response can be achieved the more effective the vaccination program. A broiler is processed at between 42 – 49 days from hatch; therefore the challenge for the Imugene vaccine is to trigger a sufficient immune response in the bird in the early part of its life. This is what we have been working on throughout the year.

I appreciate that everyone would like us to advise the timetable for our research and development for the Bird Flu vaccine. But it is notoriously difficult to predict research outcomes and therefore timetables, particularly when dealing with conducting challenge trials with this virulent disease. There is only one facility in Australia to undertake these challenge trials, the totally secure lab within CSIRO's Geelong animal health facility.

We remain confident in this research which, over the past few months, has gathered an even greater momentum.

Assessing Biotech Projects and ascribing value

The Imugene share price has been volatile over the past year. This is a similar situation with many Australian Biotechnology companies.

We cannot control the sector associated volatility but we can continue to try and differentiate Imugene from many of the listed biotechnology businesses.

However, as with many technology based assets in their development stage it often difficult for external valuers to:

- identify exactly at what stage in the development path a product is at,
- identify the risks that remain, and
- then assess these to determine value or capital worth.

The result being asset values that are volatile or wildly under or overvalued.

This is particularly the case with biotechnology products listed on the Australian Stock Exchange. The technology may be difficult to understand, the path to market may not be straightforward, and confusion may exist over the regulatory process. Assessing the little publicly available information on IP protection and identifying and understanding competitor risk is also complex, while estimates of market sizes can vary wildly.

The investor must then assess at exactly which point in the critical path of development each asset or product is located.

We appreciate the difficulty for shareholders and investors.

Imugene's valuation must largely result from its advanced product range that have passed commercial proof of concept and have entered the commercialisation process. These products are the Poultry Productivity Enhancer, and the two pig vaccines PAV-PRRS and PAV-Merial. These two pig vaccines are targeting large markets where there is little competition.

Additional value should be ascribed to the two platform adenoviral delivery technologies as there are products under development using this platform. Our Bird Flu vaccine project is our primary project in this category.

The Poultry Productivity Enhancer is a company maker in its own right and is in the final stages of the commercialisation process. The potential market that this product is targeting is very large, in excess of 40 billion chickens annually, and the benefits to the industry in productivity gains are valued in the billions of dollars.

Conclusion

Imugene has applied its business strategy consistently over the past few years which have allowed the capital value of the advanced products to substantially increase with minimal capital outlays. Consistent with this strategy is the comparatively low level of cash burn required to achieve these value increases. The direct result being a reduced need for additional dilutive equity raisings and maximum value return to shareholders.

The year ahead promises to be an exciting one, particularly with the Poultry Productivity Enhancer – The large scale field trials will be undertaken, Merial will complete the remaining development and regulatory activities and initiate marketing activities.

Additionally we anticipate progress on the commercial out-licensing of the two advanced pig vaccines and remain confident of success with our Bird Flu vaccine candidates.

I thank the dedicated management team at Imugene and our various laboratory specialists for their efforts over the past year.

ENDS

About Imugene

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

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 the *Fowl Adenoviral Vector Delivery System* for poultry (delivering the effective *Poultry Productivity Enhancer)* and the *Porcine Adenoviral Vector Delivery System* for pigs. Financial benefits will result from the *Poultry Productivity Enhancer* Merial sub-license agreement as product milestones and sales are achieved.

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.

For more information please visit the Imugene Website ***www.imugene.com***

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