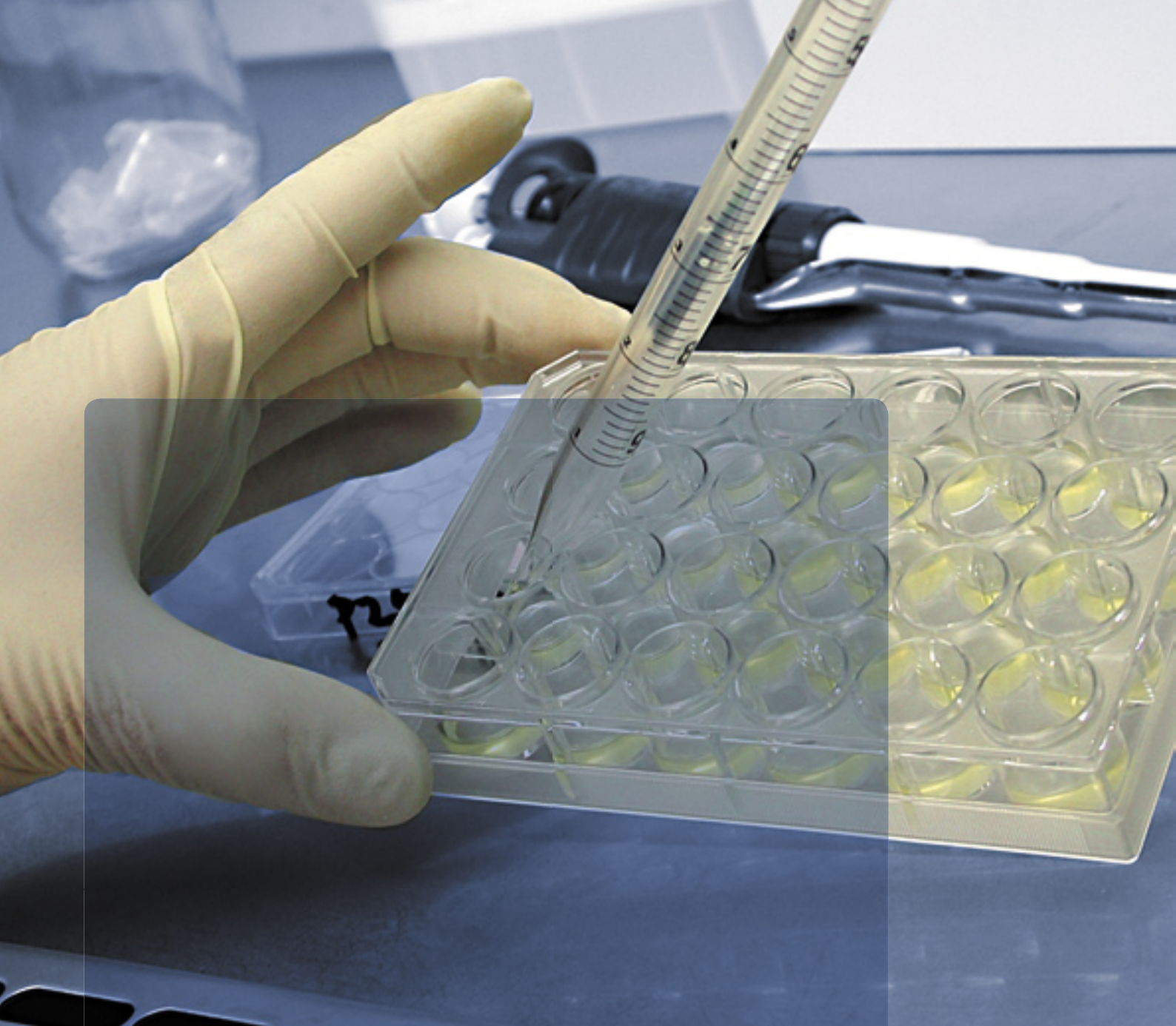




IMUGENE LIMITED ANNUAL REPORT 2007

**IMUGENE**  
  
LIMITED



## HIGHLIGHTS

### MAJOR LABORATORY WORK COMPLETED IN 2007

- FAV-Cocci vaccine candidates constructed for Abic/Teva and verified for bird trials
- PAV Merial vaccine candidates completed and verified for animal trials
- Optimisation work completed for FAV- Avian Influenza vaccine

### MAJOR ANIMAL TRIALS COMPLETED/UNDERWAY IN 2007

#### Nov > Jan 2007

- Avian influenza vaccine trial for poultry – proof of concept trial
- Initial vaccine constructs for broilers and breeders
- Broiler vaccine achieved proof of concept

#### Mar > Apr 2007

- Avian influenza vaccine trial for poultry – first optimisation trial
- 100% protection from challenge at 21 days of age with in ovo vaccination with oral booster dose at 7 days old >80% protection from challenge at 14 days of age with in ovo vaccination only

#### Jun > Sep 2007

- Porcine respiratory & reproductive syndrome vaccine – second proof of concept trial

#### Aug > Oct 2007

- Avian influenza vaccine trial for poultry – second optimisation trial

### OTHER SIGNIFICANT HIGHLIGHTS IN 2007

- \$882 000 Commercial Ready Grant awarded for development of H5N1 avian influenza vaccine
- Poultry Productivity Enhancer satisfied initial regulatory elements and Merial make milestone payment
- PAV (pig vector) patent granted in Europe - a major commercial market for pig vaccines

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# EXECUTIVES' REPORT

Dear shareholders

In the past year our Company enjoyed the benefits from the decision in early 2006 to establish our own laboratory and sever some of the previous contractor relationships. Also since 2006 the majority of our animal trials and vaccine optimisation work has been moved to the US. These changes have substantially improved product progress, increased Imugene's international reputation and added value to our product portfolio.

We are very pleased with the performance of Imugene's La Trobe University based laboratory as well as our new contract animal trialing facility at Benchmark Biolabs in Nebraska USA.

Benchmark was founded over a decade ago by animal health professionals. Their work for Imugene has included numerous animal trials, product optimisation and product development programming. Benchmark is held in very high regard by the large multinational animal health companies. These same companies are Imugene's targeted licensees.

On poultry products, the successful trials of Imugene's H5N1 avian influenza vaccine further validated the platform Adenoviral Delivery Vector technologies. The range of bird flu vaccines is now being expanded to cover other influenza virus strains and to maximise the licensing value of Imugene's new bundled avian flu vaccines.

Laboratory work on the FAV-coccidiosis vaccine candidates for Abic/Teva was completed and Imugene provided input to the design of the upcoming bird trials. The vaccine candidates are to be evaluated by Abic/Teva for efficacy in these bird trials.

The pig vaccines range based on the Porcine Adenovirus Vector also progressed with improved PAV-PRRS vaccine candidates entering trials in the US in June 2007. Final results of this trial should be available in the third quarter. Further development of these candidates is already planned and will depend on the trial results. Commercial negotiations with potential license partners continues.

Laboratory work on an improved version of the PAV-Merial vaccine was also completed and discussions have been held with Merial to conduct pig trials in the US. Results of these pivotal trials will determine commercial progression of this vaccine.

Success with the avian influenza vaccines in recent trials, especially the results following in ovo use (injection into the egg) prompted an expansion of the avian vaccine program. Two other diseases that may be suitable for FAV vaccines were identified. The genes for these vaccines have been selected and synthesised. Dr Sheppard will now make a set of vaccine candidates for each of these two diseases by inserting the genes into the Fowl Adenovirus Vector. We then expect these vaccines to enter US trials.

We will look to further expand Imugene's product portfolio now we are confident with the increased productivity of our laboratory and the Benchmark trial facility.

Progress with our poultry growth product (Poultry Productivity Enhancer) has been slower than anticipated. License partner Merial has been managing and funding development and progressing through technical manufacturing processes.

Imugene is putting more emphasis on obtaining initial regulatory approvals in the world's major jurisdictions. This is a more aggressive international commercialisation strategy reflecting Imugene's maturing product pipeline and confidence of commercial strength.

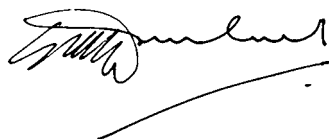
Imugene's US links continue to consolidate. The new US emphasis has included successful US trial testing as well as regulatory work by Imugene's new regulatory consultants. This regulatory work is paving the way for Imugene's fowl and pig platform technologies rather than individual products.

Our strategy remains consistent - to license products to the major animal health companies to use their global regulatory, manufacturing, marketing and distribution experience and resources.

License income and royalty income is the financial goal. While the past year has delivered trial success and added value to our product range, it will be the product optimisation activities and regulatory progress in the US that will further add to our product portfolio value.

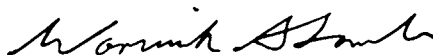
Imugene maintains a small, loyal and highly committed group of talented individuals. In particular our laboratory and trial successes are largely due to the efforts of Chief Scientific Officer Dr Mike Sheppard and his assistant Dr Sui Lay. On behalf of the board and shareholders we thank you for your efforts and the successes achieved during the year.

Yours faithfully



Graham Dowland, Chairman

25 October 2007



Dr Warwick Lamb, Managing Director



# AVIAN INFLUENZA POULTRY VACCINE

## Disease

Avian influenza is a viral infection that occurs in many species of birds. Wild birds worldwide carry the viruses in their intestines. The viruses are very contagious among birds including chickens, ducks, and turkeys.

Infected birds shed influenza virus in their saliva, nasal secretions and droppings. Susceptible birds become infected when they have contact with contaminated secretions or surfaces that are contaminated by infected birds. Intensively reared poultry are at very high risk if exposed to any avian influenza viruses due to the large number of birds housed closely together in commercial rearing sheds.

Infection with avian influenza viruses in poultry causes two main forms of disease distinguished by low and high extremes of virulence. The “low pathogenic” form may go undetected and usually causes only mild symptoms which may result in lower productivity and weight loss. However, the highly pathogenic form such as the recent outbreak of the influenza A (H5N1) virus – also called H5N1 virus – spreads more rapidly through flocks of poultry. This form may cause disease that affects multiple internal organs and has a mortality rate of up to 90-100% within 48 hours.

The H5N1 virus can infect people. The mortality rate in humans infected with the H5N1 influenza virus strain is significant. Most of these fatal cases have occurred in people in close contact with infected poultry or contaminated surfaces.

## Current treatment for poultry producers

Existing methods of dealing with birds at risk of infection are limited to culling (extermination) or individually injecting each bird with one of a few currently available vaccines.



**Cull** – in areas of disease outbreak (in certain countries can extend well beyond the site of infection) all birds are culled and the area is quarantined.

**Vaccines** – current preventative avian influenza vaccines suffer two major problems:

- Costs: Administration of vaccines by injection for each individual bird is expensive
- Safety: ‘live attenuated’ flu virus vaccines risk mutating and forming new and possibly more virulent strains of bird flu. Compounding the problem with the existing live attenuated vaccines is that during an avian influenza outbreak, diagnostic tests cannot distinguish vaccinated (uninfected) birds from those affected by the disease. However certain ‘killed’ vaccines do not risk mutation but they require larger doses and must be administered by injection

## Imugene’s vector based vaccine

Imugene has developed vaccines that can be administered to broilers in ovo (into the egg) or orally in water to stimulate a bird’s immune system against the bird flu virus. The vaccines use Imugene’s proven Fowl Adenoviral Delivery Vector. This technology delivers a portion of the virus genetic material to stimulate the immune system enabling H5N1 virus infection prevention. Imugene vaccines are safe as they prevent any chance of mutations or recombination with human flu viruses.

The primary aim of a commercial bird flu vaccine for broilers is to provide immunity as early as possible in a bird’s life. Immunity only needs to be short term as broiler birds typically reach market weight by 42-49 days of age.

## Trial results

During late 2006 and 2007 Imugene conducted several poultry H5N1 challenge trials using modified versions of its trial vaccines. After the early trial successes, Imugene optimised the vaccine to deliver higher efficacy and earlier protection in subsequent trials.

Protection levels have reached 100%. This efficacy was achieved with a two-dose regime – the first dose of Imugene’s vaccine injected into chicken eggs followed by an oral booster dose when the chickens were seven days old. The vaccinated chickens survived exposure to a high dose of a highly pathogenic Asian strain of the H5N1 avian influenza virus at age 21 days. All birds in this group remained completely healthy. All but one of the unvaccinated birds died from avian influenza within 48 hours of challenge.

The results of trials to date can be summarised:

- 100% protection against highly pathogenic H5N1 with two-dose regime
- Dual method of delivery demonstrated – in ovo (egg) and orally
- Protection as early as 14-21 days of age
- Single dose also effective (>80% effective) with birds at 14 days old
- Platform suitable to make vaccines against other avian influenza viruses
- Protective across virus strains as all trials use a heterologous challenge model
- Vaccine is a marker vaccine (vaccinated birds differentiated from infected birds)

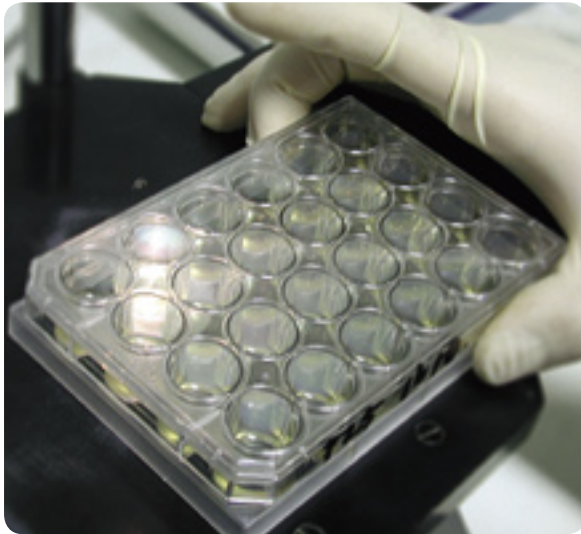
## Next phase in product range development

Imugene is continuing the H5N1 product optimisation process prior to offering licenses for the global rollout in the near future. This optimisation maximises the ultimate license value for the Imugene suite of avian influenza vaccines.

Imugene is also supplementing its H5N1 vaccine with the development of a wider range of avian influenza vaccines including H7 and H9 vaccines. While these viruses are not as pathogenic as the H5N1 virus, they have been very damaging in commercial poultry including in the US.

Development of a matching diagnostic tool is also underway. The Imugene diagnostic test will enable vaccinated chickens to be differentiated from naturally infected chickens – a key feature if governments mandate flock vaccination. Most existing vaccines do not allow blood tests to distinguish vaccinated birds and infected birds. In a disease outbreak or during surveillance this creates confusion about which birds to cull or when the infection is gone.

## POULTRY PRODUCTIVITY ENHANCER (PPE)



### Commercial proposition

An effective, easy to administer and inexpensive vaccine could be used to protect the world's poultry industry from avian influenza outbreaks and halt the spread towards Australia, Europe and the US.

Imugene aims to produce a suite of viable avian influenza vaccines that can be used to prevent or control outbreaks in all regions of the world. The Imugene vaccines are safe, effective and can be quickly and easily administered on a large scale to broiler poultry sheds.

Major advantages of Imugene's bird flu vaccines for broilers

- High efficacy at an early age – 14 days from hatch
- Low cost of producing commercial quantities of the vaccine
- Low cost of mass administration
  - Orally or in ovo administration proven
  - Individual bird handling not required
  - In ovo administration via egg injection equipment undertaken by most US poultry broiler hatcheries
  - Very cost effective for mass administration to entire poultry sheds containing many thousands of birds
- Marker vaccine
  - Allows authorities to differentiate between infected and vaccinated birds – a vital consideration for the international poultry industry
- Safe to use
  - As only a portion of the flu genetic material is used the Imugene vaccine is safe and cannot mutate or recombine with human flu viruses
- Adaptable
  - Easily and quickly adapted to protect against other strains of influenza

These advantages are commercially compelling.

### Impact of Disease

The immune systems of intensively reared broiler chickens are constantly challenged by viral and bacterial infections.

Poultry shed infections result in lower weight gains and reduced food conversion ratios. This means lower productivity and reduced farm profits.

### Current treatment used by poultry producers

Poultry producers use a variety of strategies and treatments within the flock as well as a range of feed and water supplements to control infections.

The most widely used treatment is antibiotics. However many countries have banned or intend to ban the use of antibiotics as growth promotants.

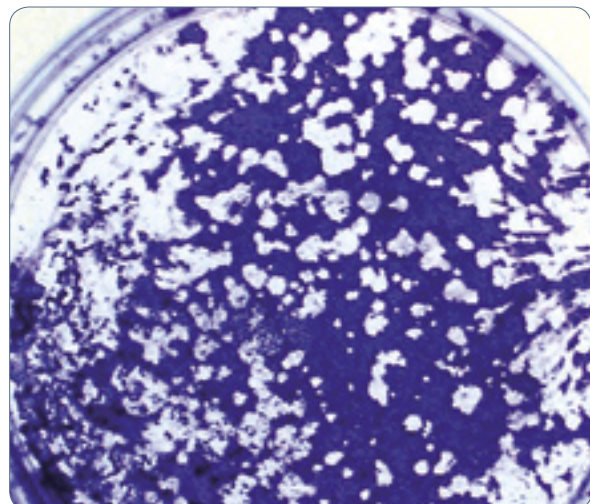
### Imugene's vector based vaccine

Using the Fowl Adenoviral Delivery Vector the Imugene Poultry Productivity Enhancer efficiently delivers a natural cytokine, gamma interferon, to the chicken. The vaccine improves bird health by boosting the bird's immune system to prevent viral and bacterial diseases. Gamma interferon is produced naturally by poultry. Imugene's vaccine stimulates natural cytokine production.

Antibiotics in feed can only treat bacterial infections and have no effect on viral infections. Imugene's treatment promises to help prevent viral infections as well without the serious flaws of using antibiotics in growing chicken meat.

Trials of Imugene's Poultry Productivity Enhancer have demonstrated overwhelming product advantages:

- Finishing weight gains of 13.7% better than untreated birds and 15.8% above global industry best practice (Ross Standard)
- Improved feed conversion of 11.7% above the Ross Standard and 9.2% better than untreated birds
- Efficacy with or without antibiotics in feed
- Vaccine is safe to poultry and does not infect any other species
- No residue of the vaccine in treated birds



## POULTRY COCCIDIOSIS VACCINES

### Commercial proposition

Imugene has licensed Merial Limited with the global rights for this product. Merial has exclusive rights from Imugene to use the patented gamma interferon gene for poultry together with non-exclusive use of the patented *Fowl Adenovirus Delivery Vector*.

The licence to Merial, a major international animal health pharmaceutical company, of Imugene's initial product was an important validation for the *Fowl Adenoviral Delivery Vector* platform technology.

Milestone fees have been paid to Imugene and will continue with product progress. When the product sells on worldwide markets Imugene will receive royalty payments on sales. Over 45 billion broilers are produced worldwide each year.

### Next phase

Under the license agreement Merial is managing product optimisation and development. Merial is also responsible for managing regulatory submissions, commercial development, global marketing and distribution of the product.

Imugene has supplied Merial with the appropriate level of pre-master seed material of the vaccine together with a number of standard operating procedures developed during the development phases.

The next phases of Merial's activities will include: refining production and manufacturing techniques, initiation of regulatory dossiers, establishment of master seed material and small regulatory trials.



### Disease

Coccidiosis is one of the most common and costly diseases in poultry and is prevalent worldwide. The parasitic disease causes weight loss and poor feed conversion and the death rate in chicks and adult birds can be high. Coccidiosis preventatives and treatments are the second biggest poultry health product category, second to in-feed antibiotics.

### Current treatment for poultry (broiler) producers

Current treatment for broilers is control only, not prevention, through the use of coccidiostats. These treatments are usually administered in the feed as additives. Coccidiostats are a range of chemical compounds suffering from declining effectiveness as resistance is developing.

### Imugene's vector based vaccine

Over the past 18 months Imugene has developed a range of vaccine candidates combining the *Fowl Adenoviral Delivery Vector* with certain coccidia genes owned by Abic Biological Laboratories Teva Ltd (Abic).

In the Abic/Imugene contract research agreement, Imugene's part has been to construct vaccine candidates, thoroughly laboratory test them and, if successful, provide vaccine material to Abic for poultry proof of concept trials.

The vaccine candidates have been constructed. After successful laboratory testing they were approved for trialing by early 2007. Imugene has assisted Abic with the trial design and identification of trial sites.

An Australian trial site has been selected and sufficient quantity of vaccine material has been prepared for the trial. The only outstanding item is that the trial site operator must obtain regulatory approvals before proceeding.

### Commercial proposition

Coccidiostats are becoming less effective and cannot be used to prevent the disease. Preventative vaccines exist and are based on live attenuated vaccines and sub-unit vaccines. Abic is one of the industry leaders in preventive vaccine development and sales. These vaccines are sold to owners of breeder production for the maternal immunisation of their offspring. These sub-unit vaccines can only be administered by injection. The Imugene vectored vaccine, deliverable in ovo or orally by water, would be commercially attractive for its significant improvement in administration efficiency.

### Next phase

Initial animal trials are planned by Abic to test the range of Imugene's coccidia vaccines. Results of these trials will determine commercial progression. If one or more of the vaccines provide protective effects, they may need optimisation or changes to construction methodology to reduce manufacturing costs.

Assuming a successful outcome from the upcoming animal trials, Imugene will be seeking to convert the arrangement with Abic into a commercial licence agreement.



## PORCINE REPRODUCTIVE AND RESPIRATORY SYNDROME (PRRS)

### Disease

PRRS is caused by a virus that was initially recognised in the US in 1987 and called mystery swine disease or blue ear disease. The disease spread to Europe in 1990 and subsequently across the rest of the world. A major outbreak of PRRS in pigs is currently having a big impact on the Chinese pork industry. Australia is one of only three countries considered to be PRRS-free.

The disease is characterised by abortion, premature farrowing, stillborn and mummified piglets, respiratory disease with loss by death and chronic poor performance of nursing and weaned pigs.

PRRS is recognised as the biggest problem disease in the worldwide swine industry. For 20 years there has been little success in economical and effective control of this highly variable viral disease.

The virus of PRRS has a particular affinity for the macrophages particularly those found in the lung. Macrophages are part of the body defences. They ingest and remove invading bacteria and viruses. Those present in the lung are called alveolar macrophages. In contrast to most other bacteria and viruses, macrophages do not destroy the PRRS virus. Instead, the virus multiplies inside them and then kills the macrophages. Up to 40% of the macrophages are destroyed. This removes a major part of the body's defence mechanism and allows bacteria and other viruses to proliferate and cause more damage.

### Imugene's vector based vaccine

The Imugene PRRS vaccine is based on the Porcine Adenoviral Delivery Vector that delivers selected genetic PRRS material to the pig to stimulate the immune system to protect against the PRRS virus.

The initial vaccine construct was successfully trialed in 2004 and since that time development has concentrated on upgrading the vaccine using a more powerful promoter within the vector.

The upgraded versions of the PRRS vaccine constructs were finalised with successful laboratory testing also having been achieved during the year.

### Next phase

The PRRS vaccine candidates are currently being trialed in pigs in the US. Imugene's laboratory at La Trobe University constructed the vaccine and shipped it to the US for the trial which began in June 2007.

A range of doses and timing of administration are being trialed to optimise the vaccine. It is hoped that the optimisation will deliver higher levels of protection and possibly permit single dose administration. The objective is to produce a vaccine administered to piglets in drinking water or by injection. Another further optimisation step is likely to be required for the most successful candidate from the current trial. The necessary laboratory work for this next improvement is nearing completion.

The trial results from this 80-pig trial are expected in the third quarter of 2007. Further trial designs to maximise the commercial value of the vaccine constructs will be based on these results.

### Commercial proposition

PRRS is one of the most economically damaging diseases of pigs worldwide causing estimated annual industry losses over US\$1 billion. In the US alone PRRS is estimated to cost US\$550-750 million annually to pork producers. There is no effective treatment for the viral infection. Vaccines have been developed but are either ineffective or suffer safety issues. Farm management procedures have been implemented but the disease persists.

Imugene has been in discussion with several large animal health companies about licensing opportunities for the global registration, manufacture and sales of the PRRS vaccine. Positive results from the current trial and subsequent optimisation work will strengthen Imugene's position in these licensing negotiations.

## OTHER PORCINE PRODUCTS UNDER DEVELOPMENT

### Porcine Circovirus

Porcine Circovirus is a pig respiratory disease. This disease stunts growth, increases mortality and weight loss progressing to emaciation in pigs aged 5-18 weeks. Other clinical signs include enlarged lymph nodes, difficulty breathing, jaundice, fever, stomach ulcers, diarrhea and sudden death. In affected herds morbidity and mortality can reach 40%.

Imugene has been developing PCV vaccine candidates using genetic material owned by another company to produce initial vaccine candidates. These have been reconstructed using methods similar to the PRRS vaccines to upgrade the promoter in the Porcine Adenoviral Delivery Vector. The vaccine candidates have undergone laboratory testing and amendments have recently been successfully laboratory verified.

The company owning the PCV genetic material has been advised that the process is complete and sufficient quantity is available for shipment for pig trials.

The commercial opportunity with this vaccine depends on the company and Imugene to agree license terms for the use of Imugene's platform Porcine Adenoviral Delivery Vector. Imugene's ultimate aim is distribution and sale of a PCV vectored vaccine to world markets.



## PARTNERS

### Benchmark Biolabs

Benchmark Biolabs Inc is a privately owned US-based contract service provider. It specialises in laboratory services, clinical and pre-clinical studies, regulatory services and compliance and small-scale manufacturing for the animal health and life sciences industries.

Imugene has worked closely with Benchmark over the past year on very successful professionally managed trials.

Importantly, the National Center for Import and Export (NCIE) has approved Benchmark's Nebraska clinical facility to the required Animal and Laboratory Biosafety Level 3 (BSL-3) status. NCIE requires BSL-3 status for research and animal trials involving certain infectious agents including avian influenza. Benchmark is one of only very few BSL-3 approved facilities in North America.

Benchmark's customers include biologics entities developing technology in a compliant environment. Benchmark has developed particular capabilities and is open to creative scientific solutions to address product development needs.

### Brakke Consulting

Brakke Consulting Inc is a US management consulting firm specialising in the worldwide animal health industry. Imugene has engaged Brakke to assist with the next stage of development of Imugene's product portfolio.

The Brakke team, led by Ron Brakke, is assisting Imugene with:

- Next phase of Imugene's avian influenza vaccine product optimisation
- Introductions and relationship management with top 10 animal health multinationals
- Obtaining the best value and terms for out-licensing Imugene's products
- Market and industry data on the diseases and health treatments that Imugene is targeting

The Brakke Consulting team combines talented individuals with CEO or division management experience. These are industry leaders who have built successful businesses, negotiated major acquisitions and divestitures, developed technology and brought to market some of the industry's most successful products.

### Abic Biological Laboratories Teva Ltd

Abic is a quality producer of pharmaceuticals and veterinary products. Abic Biological Laboratories is wholly owned by Teva Pharmaceutical Industries Ltd. The veterinary division known as Abic is a market leader in the veterinary market.

Teva Pharmaceutical Industries Ltd is among the top 20 pharmaceutical companies and one of the largest generic pharmaceutical companies in the world. Over 80% of Teva's sales are in North America and Europe.

### Meriel Limited

Meriel is a world-leading animal healthcare company with a global total market share of more than 14%.

Meriel is a substantial R&D investor with eight research and development centres around the world as well as 16 manufacturing sites.

Meriel markets a comprehensive range of products for the health, well-being and performance of a wide range of animals. Meriel assists governments in containing and managing various animal diseases.

Meriel employs 5,000 people worldwide and operates in more than 150 countries. Sales in 2006 were nearly \$2.2 billion. Meriel is a joint venture of Merck & Co and sanofi-aventis.

### Australian Commonwealth Government – Commercial Ready Grant

In late 2006 Imugene was awarded a Commercial Ready Grant to assist with the development of H5N1 avian influenza vaccines for poultry. The award under the Australian government Commercial Ready Grant scheme has enabled Imugene to produce and test vaccines to protect chickens from the H5N1 avian influenza virus.

On announcing the grant award of \$882,000 Industry Minister Ian Macfarlane congratulated Imugene and stated "bird flu is deadly and unpredictable and a project to test vaccines to protect chickens from the virus will be an enormous breakthrough."

"The Australian Government is committed to helping companies such as Imugene develop vaccines which can be used globally and rid the world of a deadly threat. What is very encouraging is that the company is already primed to commence trials soon, with a completion date in early 2007."

Imugene is matching the grant offer dollar-for-dollar. Milestone payments will be drawn over two years with the project period having begun on 1 October 2006.



# PATENT PROGRESS

## Porcine Patents

The Porcine Adenoviral Delivery Vector technology has been granted patent protection in Europe, an important commercial region for pig production. This technology now has patent protection in the US and Europe, the two highest volume and value pig product markets.

## Patent Table

| Recombinant Avian Adenovirus Vector                                                      |                 |            |                                     |
|------------------------------------------------------------------------------------------|-----------------|------------|-------------------------------------|
| Country / Jurisdiction                                                                   | Application No. | Patent No. | Status                              |
| Australia                                                                                | 64994/94        | 676042     | granted 06/17/97                    |
| Europe                                                                                   | 94912411.9      |            | allowed, validation pending         |
| Europe                                                                                   | 05076351.5      |            | pending, continuation of 94912411.9 |
| Japan                                                                                    | 522542          | 6-3606870  | granted 10/15/04                    |
| New Zealand                                                                              | 263772          | 263772     | granted 04/2/97                     |
| United States                                                                            | 09/272032       | 6296852    | granted 10/02/01                    |
| Recombinant Porcine Adenovirus Vector                                                    |                 |            |                                     |
| Country / Jurisdiction                                                                   | Application No. | Patent No. | Status                              |
| Australia                                                                                | 87209/98        | 757683     | granted 06/19/03                    |
| Brazil                                                                                   | 98111841        |            | pending                             |
| China                                                                                    | 98809116.X      |            | pending                             |
| Europe                                                                                   | 98938527.3      | 1007088    | granted 03/21/07                    |
| Europe                                                                                   | 07005454.9      |            | pending, continuation of 98938527.3 |
| Hong Kong                                                                                | 01103506.0      |            | pending                             |
| Indonesia                                                                                | W20000491       | ID0014936  | granted 12/24/04                    |
| Japan                                                                                    | 2000509443      |            | pending                             |
| Mexico                                                                                   | 2000001562      |            | pending                             |
| New Zealand                                                                              | 503039          | 503039     | granted 01/07/03                    |
| South Korea                                                                              | 7001486         |            | pending                             |
| United States                                                                            | 09/485512       |            | allowed                             |
| Vietnam                                                                                  | 1-20000211      | 4355       | granted 06/02/04                    |
| Porcine Adenovirus Type 3 Genome                                                         |                 |            |                                     |
| Country / Jurisdiction                                                                   | Application No. | Patent No. | Status                              |
| United States                                                                            |                 | 6492343    | granted 12/10/02                    |
| Methods and Compositions for Increasing Tissue Tropism of Recombinant Adenoviral Vectors |                 |            |                                     |
| Country / Jurisdiction                                                                   | Application No. | Patent No. | Status                              |
| Argentina                                                                                |                 |            | pending (filed 07/27/07)            |
| PCT                                                                                      | PCT/US07/074533 |            | pending (filed 07/27/07)            |
| Taiwan                                                                                   |                 |            | pending (filed 07/30/07)            |
| United States                                                                            | 60/833985       |            | expired (provisional application)   |
| Novel Uses of Avian Interferon Gamma (IFN-γ) (derived from PCT/AU96/00114)               |                 |            |                                     |
| Country / Jurisdiction                                                                   | Application No. | Patent No. | Status                              |
| Australia                                                                                |                 | 689028     | granted                             |
| Canada                                                                                   | 2214453         |            | under prosecution                   |
| Europe                                                                                   | 96903831.4      |            | under prosecution                   |
| Mexico                                                                                   | 976735          |            | pending                             |
| New Zealand                                                                              | 302188          | 302188     | granted                             |
| United States                                                                            | 08/765,381      | 3083724    | granted 04/04/00                    |
| United States                                                                            | 09/443218       | 6642032    | granted 11/04/03                    |

# DIRECTORS' REPORT

30 June 2007

The Directors of Imugene Limited present their report on the Consolidated Entity consisting of Imugene Limited ("the Company" or "Imugene") and the entities it controlled at the end of, or during, the year ended 30 June 2007 ("Consolidated Entity" or "Group").

## Directors

The names of directors in office at any time during the financial year or since the end of the financial year are:

Mr Graham Dowland (first appointed 30 August 2002)

Dr Warwick Lamb (first appointed 30 August 2002)

Mr Roger Steinepreis (first appointed 29 January 2002)

Each director held their office from 1 July 2006 until the date of this report.

## Current directors

### Mr Graham Dowland - Executive Chairman

Qualifications - B.Com, CA

Mr Dowland has for the past 20 years, been involved as either a significant shareholder, director or senior consultant / advisor with a number of public companies listed on Stock Exchanges in Australia, Canada and the United Kingdom with operations internationally. These companies have been and continue to be involved in various industries including pharmaceutical research and development – specifically human and animal biotechnology, gold mining and exploration, oil and gas exploration and production, manufacturing, and industrial technology development and marketing.

Mr Dowland has been involved in the development phase of numerous businesses that have achieved listings and capital raisings from the various major international Stock Exchanges.

#### *Other Current Directorships of Australian Listed public companies*

Mr Dowland is also a non-executive director of Aurora Oil & Gas Limited, and Chairman of Eureka Energy Limited and Mint Wireless Limited (appointed 4 October 2006).

#### *Former Directorships of Australian Listed public companies in the last 3 years*

None.

### Dr Warwick Lamb - Managing Director

Qualifications – BVSc, M Vet Clin Stud, FACVSc

Dr Lamb is a specialist veterinarian with experience within the profession at all levels. He has the rare combination of having worked in private general practice, private specialist practice and University practice both in Australia and the USA. He is a registered specialist in canine and feline medicine and a Fellow of the Australian College of Veterinary Scientists. Dr Lamb was awarded the Small Animal Practitioner of the Year 2001 by the Australian Small Animal Veterinary Association.

Dr Lamb developed Australia's first stand-alone, referral only internal medicine specialist hospital in Australia. This practice remains the leading private referral practice in the country, employing some 12 veterinarians and providing 24-hour emergency and critical care facilities.

#### *Other Current Directorships of Australian Listed public Companies*

None

#### *Former Directorships of Australian Listed public companies in the last 3 years*

None.

### Mr Roger Steinepreis - Non-Executive Director

Qualifications - B.Juris LLB

Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 18 years.

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers.

#### *Other Current Directorships of Australian Listed public companies*

Mr Steinepreis is a director of Commoditel Limited and Pocketmail Group Limited.

#### *Former Directorships of Australian Listed public companies in the last 3 years*

Ottoman Energy Limited (January 2004 – November 2004)

#### *Special responsibilities*

Mr Steinepreis is the lead non-executive director of the Company and acts as chair for meetings of the board to consider Audit or Remuneration Committee business.

## Company Secretary

### Mr Alexander Neuling

Qualifications – BSc (Hons) ACA (ICAEW), ACIS

The Company Secretary, Mr Alex Neuling was appointed to the position in January 2005. In addition to his role at Imugene, Mr Neuling is currently a non-executive Director of ASX Listed Eureka Energy Ltd and Company Secretary of Aurora Oil & Gas Ltd, Eureka Energy Ltd and Gawler Resources Ltd. Prior to his current positions, he worked at a major international accounting firm in London (1998-2002) and in Perth (2002-2004). He holds an honours degree in Chemistry from the University of Leeds in the United Kingdom, is a member of the Institute of Chartered Accountants of England and Wales, and holds a Graduate Diploma in Applied Corporate Governance.

## Principal activities

The principal activity of the Consolidated Entity during the financial year was animal health biopharmaceutical development and commercialisation. No significant change in the nature of this activity occurred during the financial year.

## Employees

|                                                                                                                       | 2007 | 2006 |
|-----------------------------------------------------------------------------------------------------------------------|------|------|
| The number of full time equivalent people employed by the Consolidated Entity at balance date (including consultants) | 5    | 5    |

## Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2007.

## Consolidated results

|                                             | 2007<br>\$  | 2006<br>\$  |
|---------------------------------------------|-------------|-------------|
| Consolidated loss before income tax benefit | (2,561,309) | (2,439,279) |
| Income tax benefit                          | 257,046     | 252,060     |
| Net loss                                    | (2,304,263) | (2,187,219) |

## Post balance date events

Subsequent to year-end, the Company received \$322,531 from the ATO in respect of its 2006 R&D tax concession rebate and \$95,478 from AusIndustry under its Commercial Ready grant in respect of the quarter to 30 September 2007. Also, on 18 July 2007 the Company announced the commencement of its PRRS vaccine trial.

Other than as noted above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2007 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2007, of the Consolidated Entity constituted by Imugene Limited and the entities it controls from time to time;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2007, of the Consolidated Entity.

## Significant changes in the state of affairs

No significant changes in the state of affairs of the Consolidated Entity occurred during the financial year and to the date of this report.

## Environmental regulation

The Consolidated Entity's environmental obligations are regulated under both State and Federal laws. The Company has a policy of exceeding or at least complying with its environmental performance obligations.

During the financial year, the Consolidated Entity did not materially breach any particular or significant Commonwealth, State or Territory regulation in respect to environmental management.

## Likely developments

Due to the nature of the Consolidated Entity's business activities, the Directors are not able to state:

- (a) likely developments in the entities' operations; or
- (b) the expected results of these operations,

as to do so would result in unreasonable prejudice to the Consolidated Entity.

## Information on directors' interests in securities of Imugene

|                   | Interest in Securities<br>at the date of this Report |                                     |
|-------------------|------------------------------------------------------|-------------------------------------|
|                   | Fully Paid Ordinary<br>Shares                        | Executive<br>Performance<br>Options |
| Graham Dowland    | 6,790,002                                            | 500,000                             |
| Warwick Lamb      | 6,400,001                                            | 2,500,000                           |
| Roger Steinepreis | 4,263,678                                            | -                                   |

No shares were issued to directors during the year. Following approval granted by shareholders at a general meeting held on 18 January 2007, 3,000,000 Executive Performance Options were granted to directors. Details of the terms of these options are set out in section D of the Remuneration Report forming part of this Directors' Report.



# DIRECTORS' REPORT (CONT.)

30 June 2007

## Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2007, and the number of meetings attended by each director (excludes matters decided by circulating resolution).

|                                        | No. eligible to attend | No. attended |
|----------------------------------------|------------------------|--------------|
| <b>Full board meetings</b>             |                        |              |
| Graham Dowland                         | 4                      | 4            |
| Warwick Lamb                           | 4                      | 4            |
| Roger Steinepreis                      | 4                      | 4            |
| <b>Audit committee meetings</b>        |                        |              |
| Graham Dowland                         | 2                      | 2            |
| Warwick Lamb                           | 2                      | 2            |
| Roger Steinepreis                      | 2                      | 2            |
| <b>Remuneration committee meetings</b> |                        |              |
| Graham Dowland                         | 1                      | 1            |
| Warwick Lamb                           | -                      | -            |
| Roger Steinepreis                      | 1                      | 1            |

## Share Options

At the date of this report the following options have been granted over unissued capital:

| Description | 2007 Number      | Exercise Price | Expiry    |
|-------------|------------------|----------------|-----------|
| Unlisted    | <b>4,633,333</b> | \$ 0.225       | 31-Oct-07 |
| performance | <b>333,333</b>   | \$ 0.375       | 31-Oct-07 |
| options     | <b>200,000</b>   | \$ 0.500       | 31-Oct-07 |
|             | <b>4,350,000</b> | \$ 0.250       | 31-Dec-09 |
| Total       | <b>9,516,666</b> |                |           |

No shares were issued during or since the end of the financial year on exercise of share options. Upon exercise each option is convertible into one fully paid ordinary share.

## REMUNERATION REPORT

This remuneration report is set out under the following main headings:

|          |                                                                    |
|----------|--------------------------------------------------------------------|
| <b>A</b> | Principles used to determine the nature and amount of remuneration |
| <b>B</b> | Details of remuneration                                            |
| <b>C</b> | Service agreements                                                 |
| <b>D</b> | Share-based compensation                                           |
| <b>E</b> | Additional information                                             |

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 - *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* and are not subject to audit.

## A. Principles used to determine the nature and amount of remuneration (audited)

At present the functions of the remuneration committee in relation to the remuneration of the Company's executives (including share and benefit plans) are carried out by the full board. No directors are present at meetings of the board in this function where their own remuneration is being considered. Issues of remuneration are considered annually or otherwise as required.

The objective of the remuneration committee is to ensure that pay and rewards are competitive and appropriate for the results delivered. The charter adopted by the remuneration committee aims to align rewards with achievement of strategic objectives. The remuneration framework applied provides a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate.

### Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at General Meeting. The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company, however to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company.

### Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to directors of the Company.

### Other benefits

No motor vehicle, health insurance or other similar allowances are made available to directors (other than through salary-sacrifice arrangements).

### Executives

Executive pay and reward consists of Base pay, Short term performance incentives, Long term performance incentives and other remuneration such as superannuation. Long term performance incentives to date have comprised options granted at the discretion of the Remuneration Committee in order to align the objectives of executives with shareholders and the Company. Vesting conditions for options granted during the year are linked to periods of service.

#### - Base pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts.

#### - Short term incentives

Payment of short term incentives is dependent on the achievement of key performance milestones as determined by the remuneration committee. For the year ended 30 June 2007, these milestones required performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance

levels at the discretion of the remuneration committee. For the year ended 30 June 2007, short term incentives paid or payable to key management personnel of the Company / Group totalled \$20,000 & was related specifically to achievement of two development and commercialisation milestones considered to be directly linked to an increase in the value of the Group's portfolio of assets. The remainder was awarded at the discretion of the board in their capacity as the Company's remuneration committee. Bonuses paid or payable during the prior financial year (to 30 June 2006) were awarded under the terms of a share-priced based bonus arrangement adopted by the Board in 2003 following an independent review of executive remuneration.

## B. Details of remuneration (audited)

### Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Imugene Limited and the Group are set out in the following tables.

The key management personnel of Imugene Limited (and of the Group) includes the directors (as named elsewhere in this report) and the following executive officers (also the highest paid executives of the Company and Group):

Dr Michael Sheppard – Chief Scientific Officer

Dr Richard Brandon – Business Development Officer  
(resigned 14 December 2006)

Mr Alex Neuling – Company Secretary

No remuneration was paid to directors or other key management personnel of the Group by Group companies other than Imugene Limited, accordingly remuneration paid to key management personnel of the Group is the same as that paid to key management personnel of the Company.

Cash bonuses are dependent on the satisfaction of performance conditions (as detailed under Short term incentives above). Other elements of remuneration are not directly related to performance.

### Amounts paid or payable to key management personnel of the Company / Group

|                                          | Short-term benefits     |               |                          | Post-employment benefits |                        | Share-based payment | Total \$         |
|------------------------------------------|-------------------------|---------------|--------------------------|--------------------------|------------------------|---------------------|------------------|
|                                          | Cash salary and fees \$ | Cash bonus \$ | Non-monetary benefits \$ | Super-annuation \$       | Retirement benefits \$ | Options \$          |                  |
| <b>2007</b>                              |                         |               |                          |                          |                        |                     |                  |
| <b>Non-executive directors</b>           |                         |               |                          |                          |                        |                     |                  |
| Roger Steinepreis                        | 25,000                  | -             | -                        | -                        | -                      | -                   | 25,000           |
| <b>Sub-Total non-executive directors</b> | <b>25,000</b>           | <b>-</b>      | <b>-</b>                 | <b>-</b>                 | <b>-</b>               | <b>-</b>            | <b>25,000</b>    |
| <b>Executive directors</b>               |                         |               |                          |                          |                        |                     |                  |
| Graham Dowland                           | 174,000                 | -             | -                        | -                        | -                      | 57,587              | 231,587          |
| Warwick Lamb                             | 181,573                 | -             | 47,469                   | 20,642                   | -                      | 287,935             | 537,619          |
| <b>Company secretary</b>                 |                         |               |                          |                          |                        |                     |                  |
| Alex Neuling                             | 54,176                  | -             | -                        | 4,876                    | -                      | 15,387              | 74,439           |
| <b>Other key management personnel</b>    |                         |               |                          |                          |                        |                     |                  |
| Michael Sheppard                         | 146,789                 | 20,000        | -                        | 13,211                   | -                      | 180,791             | 360,791          |
| Richard Brandon (14/6/06 to 14/12/06)    | 67,664                  | -             | -                        | 5,907                    | -                      | -                   | 73,571           |
| <b>Totals</b>                            | <b>649,202</b>          | <b>20,000</b> | <b>47,469</b>            | <b>44,636</b>            | <b>-</b>               | <b>541,700</b>      | <b>1,303,007</b> |

|                                          | Short-term benefits     |                |                          | Post-employment benefits |                        | Share-based payment | Total \$       |
|------------------------------------------|-------------------------|----------------|--------------------------|--------------------------|------------------------|---------------------|----------------|
|                                          | Cash salary and fees \$ | Cash bonus \$  | Non-monetary benefits \$ | Super-annuation \$       | Retirement benefits \$ | Options \$          |                |
| <b>2006</b>                              |                         |                |                          |                          |                        |                     |                |
| <b>Non-executive directors</b>           |                         |                |                          |                          |                        |                     |                |
| Roger Steinepreis                        | 25,000                  | -              | -                        | -                        | -                      | -                   | 25,000         |
| <b>Sub-Total non-executive directors</b> | <b>25,000</b>           | <b>-</b>       | <b>-</b>                 | <b>-</b>                 | <b>-</b>               | <b>-</b>            | <b>25,000</b>  |
| <b>Executive directors</b>               |                         |                |                          |                          |                        |                     |                |
| Graham Dowland                           | 139,000                 | -              | -                        | 36,000                   | -                      | -                   | 175,000        |
| Warwick Lamb                             | 181,308                 | 100,000        | 48,050                   | 20,642                   | -                      | -                   | 350,000        |
| <b>Company secretary</b>                 |                         |                |                          |                          |                        |                     |                |
| Alex Neuling                             | 44,037                  | -              | -                        | 3,963                    | -                      | 3,775               | 51,775         |
| <b>Other key management personnel</b>    |                         |                |                          |                          |                        |                     |                |
| Michael Sheppard                         | 146,789                 | -              | -                        | 13,211                   | -                      | -                   | 160,000        |
| Richard Brandon (from 14/6/06)           | 5,505                   | -              | -                        | 495                      | -                      | -                   | 6,000          |
| Paul Macleman (1/7/05 to 31/1/06)        | 91,999                  | -              | -                        | 7,875                    | -                      | (11,316)            | 93,603         |
| <b>Totals</b>                            | <b>633,637</b>          | <b>100,000</b> | <b>48,050</b>            | <b>82,187</b>            | <b>-</b>               | <b>(7,541)</b>      | <b>856,333</b> |

# DIRECTORS' REPORT (CONT.)

30 June 2007 Remuneration report (continued)

## C. Service agreements (audited)

Remuneration and other terms of agreement for the Executive Chairman are formalised in a consultancy agreement with an associated Company of Mr Dowland. Remuneration and other terms of agreement with the Company Secretary are not formalised in an agreement. Remuneration and other terms of agreement with the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and / or grant of options. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated by either party with varying notice periods, subject to termination payments as detailed below.

Mr Graham Dowland, Executive Chairman

- Term of agreement – indefinite
- Consultancy fee inclusive of superannuation and taxes, but excluding GST of \$175,000 per annum, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months consultancy fees

Dr Warwick Lamb, Managing Director

- Term of agreement – indefinite
- Base salary, inclusive of superannuation for the year ended 30 June 2007 of \$250,000, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary for twelve months

Dr Michael Sheppard, Chief Scientific Officer

- Term of agreement – rolling annual, anniversary on 21 March.
- Base salary, inclusive of superannuation for the year ended 30 June 2007 of \$160,000. (for the year to 30 July 2008, following review by the Board this was increased to \$175,000)
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary and benefits for the remainder of the contract term.

## D. Share-based compensation (audited)

### Options

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

| Grant date  | Date vested and exercisable | Expiry date | Exercise price | Value per option at grant date |
|-------------|-----------------------------|-------------|----------------|--------------------------------|
| 24 Aug 2005 | 24 Aug 2005                 | 31 Jan 2007 | \$0.30         | \$0.02                         |
| 24 Aug 2005 | 31 Jan 2006                 | 31 Oct 2007 | \$0.50         | \$0.01                         |
| 24 Aug 2005 | 24 Aug 2005                 | 31 Oct 2007 | \$0.38         | \$0.03                         |
| 18 Jan 2007 | 18 Jan 2007                 | 31 Dec 2009 | \$0.25         | \$0.16                         |
| 18 Jan 2007 | 18 Jan 2008                 | 31 Dec 2009 | \$0.25         | \$0.17                         |

Details of options over ordinary shares in the Company provided as remuneration to each director of Imugene and each of the key management personnel of the Parent Entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Imugene.

| Name                                               | No. of options granted during the year |         | No. of options vested during the year |         |
|----------------------------------------------------|----------------------------------------|---------|---------------------------------------|---------|
|                                                    | 2007                                   | 2006    | 2007                                  | 2006    |
| <b>Directors of Imugene Limited</b>                |                                        |         |                                       |         |
| Graham Dowland                                     | 500,000                                | -       | 250,000                               | -       |
| Warwick Lamb                                       | 2,500,000                              | -       | 1,250,000                             | -       |
| <b>Other key management personnel of the Group</b> |                                        |         |                                       |         |
| Michael Sheppard                                   | 1,250,000                              | -       | 1,100,000                             | 150,000 |
| Alex Neuling                                       | 100,000                                | 250,000 | 100,000                               | 250,000 |

### Fair Value of Options

The fair value of each option is estimated on the date of grant using the Black-Scholes Option Valuation Model with the following assumptions:

|                         | 2007      | 2006      |
|-------------------------|-----------|-----------|
| Dividend yield          | -         | -         |
| Expected volatility     | 95.2%     | 72%       |
| Historical volatility   | 95.2%     | 72%       |
| Risk-free interest rate | 5.9%      | 6.0%      |
| Expected life of option | 1.5 years | 1.5 years |

Options granted carry no dividend or voting rights. Upon exercise, each option is convertible into one fully paid ordinary share to rank pari passu with fully paid ordinary shares then on issue.

No Options provided as remuneration to directors or key management personnel as remuneration were exercised during the year (2006: none).

## E. Additional Information (unaudited)

As detailed under headings A & B, remuneration of executives consists of an unrisks element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Company in the current or previous reporting periods.

No cash bonuses were forfeited during the year by directors or key management personnel or remained unvested at year-end.

Additional information required by s300A (1) of the *Corporations Act 2001* in relation to share-based compensation is set out below.

| Name                                        | A<br>Remuneration<br>consisting of options<br>% | B<br>Value at<br>grant date<br>\$ | C<br>Value at<br>exercise date<br>\$ | D<br>Value at<br>lapse date<br>\$ | E<br>Total of<br>columns B-D<br>\$ |
|---------------------------------------------|-------------------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|------------------------------------|
| Directors of Imugene Limited                |                                                 |                                   |                                      |                                   |                                    |
| Graham Dowland                              | 25%                                             | 57,587                            | -                                    | -                                 | 57,587                             |
| Warwick Lamb                                | 54%                                             | 287,935                           | -                                    | -                                 | 287,935                            |
| Roger Steinepreis                           | 0%                                              | -                                 | -                                    | -                                 | -                                  |
| Company Secretary                           |                                                 |                                   |                                      |                                   |                                    |
| Alex Neuling                                | 21%                                             | 15,387                            | -                                    | -                                 | 15,387                             |
| Other key management personnel of the Group |                                                 |                                   |                                      |                                   |                                    |
| Michael Sheppard                            | 50%                                             | 180,791                           | -                                    | -                                 | 180,791                            |
| Richard Brandon                             | 0%                                              | -                                 | -                                    | -                                 | -                                  |

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB2 Share-based Payment of options granted / cancelled during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration that lapsed during the year.

## Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 14 of the Financial Report.

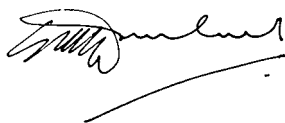
## Non-Audit Services

No non-audit services were provided to the group by the auditor during the year (or by another person or firm on the auditor's behalf) and accordingly the directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## Insurance of Officers and Auditors

During the year, the Company has paid a premium in respect of a contract insuring the directors of the Company (as named above) and the Company Secretary Mr Alexander Neuling against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

This report is made in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.



**GRAHAM DOWLAND**

Executive Chairman

Perth, Western Australia

25 September 2007



# AUDITOR'S INDEPENDENCE DECLARATION

# Deloitte.

Deloitte Touche Tohmatsu  
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The Board of Directors

Imugene Limited  
Level 20, 77 St Georges Terrace  
Perth WA 6000

25 September 2007

Dear Sirs

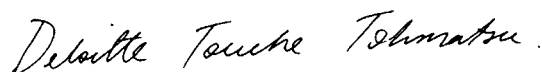
## Imugene Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Imugene Limited.

As lead audit partner for the audit of the financial statements of Imugene Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Gover  
Partner  
Chartered Accountants

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

# INDEPENDENCE AUDIT REPORT TO MEMBERS



## Independent Auditor's Report to the members of Imugene Limited

We have audited the accompanying financial report of Imugene Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 35.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" on pages 10 to 12 of the directors' report, and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Auditor's Independence Declaration

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

### Auditor's Opinion

In our opinion:

(a) the financial report of Imugene Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2a).

### Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained under the heading "remuneration report" of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures*.

DELOITTE TOUCHE TOHMATSU

MARK GOVER  
Partner

# INCOME STATEMENT

For the financial year ended 30 June 2007

|                                                           |      | Consolidated       |                    | Parent entity      |                    |
|-----------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
|                                                           | Note | 2007<br>\$         | 2006<br>\$         | 2007<br>\$         | 2006<br>\$         |
| Revenue from continuing operations                        | (5)  | 165,534            | 263,251            | 901,362            | 1,087,572          |
| Other income                                              | (6)  | 310,723            | 103,083            | 310,723            | 100,662            |
| <b>Total income</b>                                       |      | <b>476,257</b>     | <b>366,334</b>     | <b>1,212,085</b>   | <b>1,188,234</b>   |
| Research and development                                  |      | (1,077,187)        | (845,017)          | (1,055,520)        | (818,718)          |
| Business development                                      |      | (303,209)          | (246,515)          | (303,209)          | (246,515)          |
| Commercialisation expenses                                | (7)  | (936,819)          | (1,145,962)        | (484,983)          | (804,823)          |
| Corporate and administration costs                        |      | (720,351)          | (568,119)          | (703,332)          | (566,755)          |
| Impairment writedown of investment in controlled entities | (10) | -                  | -                  | (1,226,350)        | (1,190,702)        |
| <b>Loss before income tax expense / (benefit)</b>         |      | <b>(2,561,309)</b> | <b>(2,439,279)</b> | <b>(2,561,309)</b> | <b>(2,439,279)</b> |
| Income tax benefit                                        | (8)  | 257,046            | 252,060            | 257,046            | 252,060            |
| Net loss attributable to members of Company               |      | <b>(2,304,263)</b> | <b>(2,187,219)</b> | <b>(2,304,263)</b> | <b>(2,187,219)</b> |
| <b>Earnings / (loss) per share</b>                        |      |                    |                    |                    |                    |
| Basic loss per share (cents per share)                    | (22) | (1.8)              | (1.7)              |                    |                    |
| Diluted loss per share (cents per share)                  | (22) | (1.8)              | (1.7)              |                    |                    |

The above income statement should be read in conjunction with the accompanying notes.

# BALANCE SHEET

As at 30 June 2007

|                                 |      | Consolidated     |                  | Parent entity    |                  |
|---------------------------------|------|------------------|------------------|------------------|------------------|
|                                 | Note | 2007<br>\$       | 2006<br>\$       | 2007<br>\$       | 2006<br>\$       |
| <b>Current assets</b>           |      |                  |                  |                  |                  |
| Cash and cash equivalents       |      | 1,099,226        | 2,697,244        | 868,618          | 2,521,076        |
| Trade and other receivables     |      | 1,226            | 41,442           | 1,226            | 4,369            |
| Tax assets                      | (9)  | 525,460          | 542,062          | 525,460          | 542,062          |
| <b>Total current assets</b>     |      | <b>1,625,912</b> | <b>3,280,748</b> | <b>1,395,304</b> | <b>3,067,507</b> |
| <b>Non-current assets</b>       |      |                  |                  |                  |                  |
| Receivables                     |      | -                | -                | 2,892,548        | 1,867,235        |
| Other financial assets          |      | -                | -                | 1,188,470        | 2,414,820        |
| Property, plant and equipment   | (11) | 10,151           | 22,228           | 10,151           | 22,228           |
| Intangible assets               | (12) | 3,624,305        | 3,965,445        | -                | -                |
| <b>Total non-current assets</b> |      | <b>3,634,456</b> | <b>3,987,673</b> | <b>4,091,169</b> | <b>4,304,283</b> |
| <b>Total assets</b>             |      | <b>5,260,368</b> | <b>7,268,421</b> | <b>5,486,473</b> | <b>7,371,790</b> |
| <b>Current liabilities</b>      |      |                  |                  |                  |                  |
| Trade and other payables        | (13) | 472,618          | 732,603          | 698,723          | 835,972          |
| Provisions                      | (14) | 87,932           | 73,437           | 87,932           | 73,437           |
| <b>Total liabilities</b>        |      | <b>560,550</b>   | <b>806,040</b>   | <b>786,655</b>   | <b>909,409</b>   |
| <b>Net assets</b>               |      | <b>4,699,818</b> | <b>6,462,381</b> | <b>4,699,818</b> | <b>6,462,381</b> |
| <b>Equity</b>                   |      |                  |                  |                  |                  |
| Contributed equity              | (15) | 13,180,042       | 13,180,042       | 13,180,042       | 13,180,042       |
| Reserves                        | (16) | 806,245          | 264,545          | 806,245          | 264,545          |
| Accumulated losses              | (16) | (9,286,469)      | (6,982,206)      | (9,286,469)      | (6,982,206)      |
| <b>Total equity</b>             |      | <b>4,699,818</b> | <b>6,462,381</b> | <b>4,699,818</b> | <b>6,462,381</b> |

The above balance sheet should be read in conjunction with the accompanying notes.



# CASH FLOW STATEMENT

For the financial year ended 30 June 2007

|                                                             |      | Consolidated       |                    | Parent entity      |                    |
|-------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
|                                                             | Note | 2007<br>\$         | 2006<br>\$         | 2007<br>\$         | 2006<br>\$         |
| <b>Cash flows from operating activities</b>                 |      |                    |                    |                    |                    |
| Receipts from customers                                     |      | 65,413             | 66,690             | -                  | -                  |
| Payments to suppliers and employees                         |      | (2,381,408)        | (2,000,489)        | (2,363,877)        | (972,256)          |
| Income tax repayments received                              |      | 273,648            | -                  | 273,648            | -                  |
| Other income                                                |      | 339,494            | 100,662            | 341,067            | 100,662            |
| <b>Net cash outflow from operating activities</b>           |      | <b>(1,702,853)</b> | <b>(1,833,137)</b> | <b>(1,749,162)</b> | <b>(871,594)</b>   |
| <b>Cash flows from investing activities</b>                 |      |                    |                    |                    |                    |
| Payments for property, plant and equipment                  |      | -                  | (12,627)           | -                  | (12,627)           |
| Loans to related parties                                    |      | -                  | -                  | -                  | (1,081,828)        |
| Interest received                                           |      | 104,835            | 196,561            | 96,704             | 192,726            |
| <b>Net cash inflow (outflow) from investing activities</b>  |      | <b>104,835</b>     | <b>183,934</b>     | <b>96,704</b>      | <b>(901,729)</b>   |
| <b>Cash flows from financing activities</b>                 |      |                    |                    |                    |                    |
| <b>Net cash inflow from financing activities</b>            |      | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      | <b>(1,598,018)</b> | <b>(1,649,203)</b> | <b>(1,652,458)</b> | <b>(1,773,323)</b> |
| Cash and cash equivalents at the beginning of the year      |      | 2,697,244          | 4,346,447          | 2,521,076          | 4,294,399          |
| <b>Cash and cash equivalents at the end of the year</b>     |      | <b>1,099,226</b>   | <b>2,697,244</b>   | <b>868,618</b>     | <b>2,521,076</b>   |

The above statement of cash flows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2007

|                                                         |      | Consolidated       |                    | Parent entity      |                    |
|---------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
|                                                         | Note | 2007<br>\$         | 2006<br>\$         | 2007<br>\$         | 2006<br>\$         |
| <b>Share Capital</b>                                    |      |                    |                    |                    |                    |
| At the beginning of the year                            |      | 13,180,042         | 13,180,042         | 13,180,042         | 13,180,042         |
| At the end of the year                                  | (15) | 13,180,042         | 13,180,042         | 13,180,042         | 13,180,042         |
| <b>Share Based Payment Reserve</b>                      |      |                    |                    |                    |                    |
| At the beginning of the year                            |      | 264,545            | 267,605            | 264,545            | 267,605            |
| Employee share options                                  | (16) | 541,700            | (3,060)            | 541,700            | (3,060)            |
| At the end of the year                                  | (16) | 806,245            | 264,545            | 806,245            | 264,545            |
| <b>Accumulated losses</b>                               |      |                    |                    |                    |                    |
| At the beginning of the year                            |      | (6,982,206)        | (4,794,987)        | (6,982,206)        | (4,794,987)        |
| Loss for the year                                       |      | (2,304,263)        | (2,187,219)        | (2,304,263)        | (2,187,219)        |
| At the end of the year                                  |      | (9,286,469)        | (6,982,206)        | (9,286,469)        | (6,982,206)        |
| <b>Total Equity</b>                                     |      |                    |                    |                    |                    |
| At the beginning of the year                            |      | 6,462,381          | 8,652,660          | 6,462,381          | 8,652,660          |
| At the end of the year                                  |      | 4,699,818          | 6,462,381          | 4,699,818          | 6,462,381          |
| <b>Net income recognised directly in equity</b>         |      |                    |                    |                    |                    |
| Loss for the year                                       |      | (2,304,263)        | (2,187,219)        | (2,304,263)        | (2,187,219)        |
| <b>Total recognised income and expense for the year</b> |      | <b>(2,304,263)</b> | <b>(2,187,219)</b> | <b>(2,304,263)</b> | <b>(2,187,219)</b> |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate information

The financial report of Imugene Limited (the Company or "Imugene") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 25 September 2007.

Imugene Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The financial report includes separate financial statements for the parent as an individual entity and the consolidated entity comprised by Imugene and its subsidiaries ("Group or Consolidated Entity")

The nature of the operations and principal activities of the Group are described in the Directors' Report and in note 3.

## 2. Summary of significant accounting policies

### a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

#### Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Except for the amendments to AASB 101 Presentation of Financial Statements, which the Group has adopted early, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ending 30 June 2007.

The Directors have assessed the impact of these new or amended Standards and Interpretations (to the extent relevant to the Group) and no such revisions or new Standards and Interpretations are expected to have any material impact on the accounting policies of the Group.

#### Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss of \$2,304,263 for the year to 30 June 2007 and had a net cash outflow from operations of \$1,702,853 for the year. Notwithstanding this, the financial report has been prepared on a going concern basis based on: Available cash assets at year-end of \$1,099,226; receipts of approximately \$417,000 under government grants and the Australia Taxation Office's R&D Tax Concession scheme subsequent to year-end; and, the expectation that the Company will be able to source additional funds if required by means of additional equity and / or debt fund raisings.

The directors consider it probable that the Company will complete a capital raising before the end of the current

financial year. At present the Company has a number of funding alternatives open to it and will continue to assess these options to identify the most advantageous alternative.

In the event that a fund raising cannot be completed within this timeframe, it is expected that expenditure commitments can be deferred sufficiently to enable the Group to continue as a going concern for the foreseeable future.

### b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

### c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and these benefits can be measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

### d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments in subsidiaries are measured at cost. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### e) Financial instruments issued by the company

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction

costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

**f) Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

**g) Good and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**h) Government grants**

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable. Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

**i) Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent

from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately.

**j) Income tax**

**Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred tax**

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 2. Summary of significant accounting policies (continued)

### j) Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Imugene Limited is the head entity in the tax-consolidated group.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Imugene Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Assets or liabilities arising under this arrangement are recognised as amounts receivable from or payable to other entities in the group and

amounts are determined by reference to amounts recognised in the financial records of members in the group.

### k) Intangible assets

#### Patents, trademarks and licenses

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their expected useful lives of 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

#### Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

### l) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### m) Property, plant and equipment

Plant and equipment and fixtures & fittings are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment,



including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

|                           |         |
|---------------------------|---------|
| Fixtures and fittings     | 5 years |
| Plant and equipment years | 5 - 15  |

#### n) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

#### o) Revenue recognition

##### Management fees to subsidiaries

Revenue from management fees charged by the Company to its wholly owned subsidiaries is recognised in the accounting period in which management services are rendered.

##### Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

#### Royalties, licence fees and milestone payments

Royalty revenue, revenue from the sale of sub-licences and milestone payments are recognised on an accrual basis in accordance with the substance of the relevant agreement.

#### Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### 3. Financial Risk Management

Imugene's board of directors (Board) performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board seeks to balance the potential adverse effects of financial risks on Imugene's financial performance and position with the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various methods available to manage them.

AASB 132 Financial Instruments Presentation and Disclosure requires the disclosure of information to assist users of the financial report in assessing the extent of risks related to financial instruments faced by the Group. These risks include financial risks such as market risks (including currency risk, fair value interest rate risk and commodity price risk), credit risk & liquidity risk. These disclosures are not nor are they intended to be an exhaustive list of risks to which Imugene is exposed.

#### a) Market risk

##### i. Foreign exchange risk

Imugene Limited is based in Australia, its shares are listed on the Australian Stock Exchange and the consolidated entity reports its financial performance and position in Australian dollars (A\$). The Group operates internationally, with the result being that the Group is to some extent exposed to foreign exchange risk arising from fluctuations in the A\$ / US\$ exchange rate.

As at balance date, the Board has formed the view that it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge this foreign exchange risk. Factors which the board considered in arriving at this position included: The expense of purchasing such instruments; the inherent difficulties associated with forecasting the timing and quantum of US\$ cash inflows and outflows at a time when the consolidated entity is still at the commercialisation and development stage of monetising its intellectual property. The Board may reconsider its position with regard to hedging against foreign exchange risk in the future as the Group's activities evolve and / or in response to industry or macro-economic factors.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 3. Financial Risk Management (continued)

### a) Market risk (continued)

#### ii. Interest rate risk

As at and during the year ended on balance date the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

|                         |                | Consolidated |           | Parent Entity |           |
|-------------------------|----------------|--------------|-----------|---------------|-----------|
|                         |                | 2007         | 2006      | 2007          | 2006      |
|                         |                | \$           | \$        | \$            | \$        |
| <b>Financial Assets</b> |                |              |           |               |           |
| Cash assets             | Floating rate* | 1,099,226    | 2,697,244 | 868,618       | 2,521,076 |

\* Weighted average effective interest rate 5.1 %

#### iii. Commodity price risk

The Group is not exposed to commodity price risk.

### b) Credit risk

The Group trades only with recognised, trustworthy third parties and it is the Group's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the Group.

### c) Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

## 4. Critical accounting estimates & judgements

In preparing this Financial Report the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

### a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Deferred tax assets

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

### b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 16.

#### Impairment of assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cashflows using asset-specific discount rates. For Patents, licences and other rights, these estimates are based on various assumptions concerning, for example future sales profiles, market penetration, milestone achievement dates and production profiles.

As at 30 June 2007, the carrying value of Patents, licences and other rights is \$3,624,305 (2006: \$3,965,445).

## 5. Revenue

|                                   | Consolidated |            | Parent entity |            |
|-----------------------------------|--------------|------------|---------------|------------|
|                                   | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$ |
| <b>From continuing operations</b> |              |            |               |            |
| Sales revenue                     |              |            |               |            |
| Management fees                   | -            | -          | 807,800       | 894,845    |
|                                   | -            | -          | 807,800       | 894,845    |
| Other revenue                     |              |            |               |            |
| Sub-license fees                  | 63,841       | 66,690     | -             | -          |
| Interest                          | 101,693      | 196,561    | 93,562        | 192,727    |
|                                   | 165,534      | 263,251    | 93,562        | 192,727    |
|                                   | 165,534      | 263,251    | 901,362       | 1,087,572  |

## 6. Other income

|                            | Consolidated |            | Parent entity |            |
|----------------------------|--------------|------------|---------------|------------|
|                            | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$ |
| Government grants          | 309,151      | 100,662    | 309,151       | 100,662    |
| Net foreign exchange gains | -            | 2,421      | -             | -          |
| Other                      | 1,572        | -          | 1,572         | -          |
|                            | 310,723      | 103,083    | 310,723       | 100,662    |

The Company's accounting policy in relation to Government Grants is disclosed in note 2 (h).

Imugene announced on 8 November 2006 that it had been awarded an Australian government Commercial Ready grant to produce and test vaccines to protect chickens from the H5N1 avian influenza virus. The total grant amount is expected to be approximately \$880,000 on a matched funding basis with payments being drawn over two years in line with the Company's actual and forecast spending on the project. As at balance sheet date, an amount of \$30,343 has been classified as deferred income in relation to receipts under the grant (refer to note 13).

Previously, funding has also been received under two Biotechnology Innovation Fund grants (also on a matched funding basis) for projects which have been completed.

## 7. Expenses

|                                           | Consolidated |            | Parent entity |             |
|-------------------------------------------|--------------|------------|---------------|-------------|
|                                           | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$  |
| <b>Depreciation of non-current assets</b> |              |            |               |             |
| Tangible fixed assets                     | 4,565        | 5,508      | 4,565         | 5,508       |
| <b>Commercialisation expenses</b>         |              |            |               |             |
| Patent expenses                           | 178,107      | 490,441    | 67,411        | 490,441     |
| Employee expenses                         | 417,572      | 314,381    | 417,572       | 314,381     |
| Amortisation of intangibles               | 341,140      | 341,140    | -             | -           |
|                                           | 936,819      | 1,145,962  | 484,983       | 804,822     |
| <b>Recoverable amount writedown</b>       |              |            |               |             |
| Investments – controlled entities         | -            | -          | (1,223,853)   | (1,190,702) |

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 8. Income tax

|                                        | Consolidated   |            | Parent entity  |            |
|----------------------------------------|----------------|------------|----------------|------------|
|                                        | 2007<br>\$     | 2006<br>\$ | 2007<br>\$     | 2006<br>\$ |
| Current tax                            | 202,929        | 268,414    | 202,929        | 268,414    |
| Under (over) recognised in prior years | 54,117         | (16,354)   | 54,117         | (16,354)   |
|                                        | <b>257,046</b> | 252,060    | <b>257,046</b> | 252,060    |

A reconciliation between tax expense and the product of accounting result before income tax multiplied by the Group's applicable income tax rate is as follows:

|                                                                    |             |             |             |             |
|--------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Accounting loss before tax from continuing operations              | (2,561,309) | (2,439,279) | (2,561,309) | (2,439,279) |
| Tax at the Australian statutory income tax rate of 30% (2006: 30%) | (786,393)   | (731,784)   | (786,393)   | (732,702)   |

Tax effect of amounts which are not deductible (taxable) in calculating taxable income

|                                                                |         |          |         |          |
|----------------------------------------------------------------|---------|----------|---------|----------|
| Research & development expenses (claimed under Tax Concession) | 187,791 | 253,505  | 187,791 | 245,615  |
| Share-based payment expense                                    | 162,510 | (918)    | 162,510 | (918)    |
| Sundry other                                                   | 10,969  | (30,593) | 5,887   | (29,393) |

Tax effect of temporary timing differences in relation to unrecognised deferred tax assets / liabilities: (i) (ii)

|                      |                  |           |                 |         |
|----------------------|------------------|-----------|-----------------|---------|
| Impairment writedown | -                | -         | 367,156         | 357,211 |
| Patent costs         | 45,564           | 141,157   | 18,909          | 137,569 |
| Sundry other         | (10,968)         | 19,963    | (10,968)        | 19,963  |
|                      | <b>(371,526)</b> | (348,670) | <b>(37,108)</b> | (2,655) |

|                                     |                |         |               |       |
|-------------------------------------|----------------|---------|---------------|-------|
| Less tax losses not recognised (ii) | <b>371,526</b> | 348,670 | <b>37,108</b> | 2,655 |
|                                     | -              | -       | -             | -     |

Research & Development Tax Concession

|                                         |         |          |         |          |
|-----------------------------------------|---------|----------|---------|----------|
| Current Year                            | 202,929 | 268,414  | 202,929 | 268,414  |
| Over / (under) recognised in prior year | 54,117  | (16,354) | 54,117  | (16,354) |

|                    |                |         |                |         |
|--------------------|----------------|---------|----------------|---------|
| Income tax benefit | <b>257,046</b> | 252,060 | <b>257,046</b> | 252,060 |
|--------------------|----------------|---------|----------------|---------|

(i) Deferred tax liability arising from temporary differences attributable to:

|                                                              |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|
| Amounts recognised in profit or loss                         | (56,380) | (52,031) | (56,380) | (52,031) |
| Less set off of deferred tax assets under set-off provisions | 56,380   | 52,031   | 56,380   | 52,031   |
|                                                              | -        | -        | -        | -        |

(ii) Deferred tax assets not recognised

Arising from temporary differences attributable to:

|                                       |           |           |           |         |
|---------------------------------------|-----------|-----------|-----------|---------|
| Amounts recognised in profit or loss  | 317,384   | 241,105   | 1,426,976 | 32,668  |
| Amounts recognised directly in equity | 81,461    | 81,461    | 81,461    | 99,467  |
| Carried forward tax losses            | 1,758,787 | 1,387,261 | 431,101   | 393,993 |

## 9. Current assets – Tax assets

|                                                  | Consolidated   |            | Parent entity  |            |
|--------------------------------------------------|----------------|------------|----------------|------------|
|                                                  | 2007<br>\$     | 2006<br>\$ | 2007<br>\$     | 2006<br>\$ |
| Research & development tax concession receivable | <b>525,460</b> | 542,062    | <b>525,460</b> | 542,062    |

## 10. Non-current assets – Other financial assets

|                                            | Consolidated |            | Parent entity      |             |
|--------------------------------------------|--------------|------------|--------------------|-------------|
|                                            | 2007<br>\$   | 2006<br>\$ | 2007<br>\$         | 2006<br>\$  |
| Receivables from wholly-owned subsidiaries |              |            |                    |             |
| At cost                                    | -            | -          | <b>2,892,548</b>   | 1,867,235   |
| Investments in wholly-owned subsidiaries   |              |            |                    |             |
| At cost                                    | -            | -          | <b>6,695,912</b>   | 6,695,912   |
| Less impairment write-down                 | -            | -          | <b>(5,507,442)</b> | (4,281,092) |
| Investments – other entities               |              |            |                    |             |
| At cost                                    | -            | -          | -                  | -           |
| Less impairment write-down                 | -            | -          | -                  | -           |
|                                            | <b>-</b>     | <b>-</b>   | <b>1,188,470</b>   | 2,414,820   |

In determining the recoverable amount of investments, the expected future cashflows associated with the investment, based on the projected dividend stream and value at expected sale date, have been discounted to their net present value using a discount rate of 10%.

### (a) Wholly-owned Group

Details of interests in wholly-owned controlled entities are set out at part (b) of this note. Details of dealings with controlled entities are as follows:

#### Inter-company account

Imugene provides working capital to its controlled entities. Transactions between Imugene and other controlled entities in the wholly owned Group during the year ended 30 June 2007 consisted of:

- (i) Working capital advanced by Imugene Limited;
- (ii) Provision of management and other services by Imugene Limited, and
- (iii) Expenses paid by Imugene Limited on behalf of its controlled entities

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced by Imugene Limited.

At balance date amounts receivable from controlled entities totalled \$2,892,548 (2006: \$1,867,235).

### (b) Investments in Controlled Entities

| Name of Entity                | Country of Incorporation | Class of Shares | Equity Holding |           |
|-------------------------------|--------------------------|-----------------|----------------|-----------|
|                               |                          |                 | 2007<br>%      | 2006<br>% |
| <b>Controlled Entities</b>    |                          |                 |                |           |
| Brightsun Investments Pty Ltd | Australia                | Ordinary        | 100            | 100       |
| VectoGen Pty Ltd              | Australia                | Ordinary        | 100            | 100       |
| BioMimic Technologies Pty Ltd | Australia                | Ordinary        | 100            | 100       |
| Paragen Pty Ltd               | Australia                | Ordinary        | 100            | 100       |

### (c) Ultimate Parent Company

The ultimate parent company in the wholly-owned Group is Imugene Limited, a company incorporated in Australia.



# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 11. Non-current assets – Property, Plant & Equipment

|                                 | Consolidated |            | Parent entity |            |
|---------------------------------|--------------|------------|---------------|------------|
|                                 | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$ |
| <b>Plant &amp; equipment</b>    |              |            |               |            |
| At cost                         | 29,866       | 41,531     | 29,866        | 41,531     |
| Accumulated depreciation        | (22,348)     | (22,149)   | (22,348)      | (22,149)   |
| Total plant and equipment (a)   | 7,518        | 19,382     | 7,518         | 19,382     |
| <b>Fixtures and Fittings</b>    |              |            |               |            |
| At cost                         | 3,675        | 4,184      | 3,675         | 4,184      |
| Accumulated depreciation        | (1,042)      | (1,338)    | (1,042)       | (1,338)    |
| Total fixtures and fittings (a) | 2,633        | 2,846      | 2,633         | 2,846      |
| Total net book value            | 10,151       | 22,228     | 10,151        | 22,228     |

### (a) Reconciliations

|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| <b>Plant and Equipment</b>           |         |         |         |         |
| Carrying amount at beginning of year | 19,382  | 11,027  | 19,382  | 11,027  |
| Additions                            | -       | 13,138  | -       | 13,138  |
| Disposals                            | (7,512) | -       | (7,512) | -       |
| Depreciation expense                 | (4,352) | (4,783) | (4,352) | (4,784) |
| Total plant & equipment              | 7,518   | 19,382  | 7,518   | 19,382  |
| <b>Fixtures and Fittings</b>         |         |         |         |         |
| Carrying amount at beginning of year | 2,846   | 3,570   | 2,846   | 3,570   |
| Additions                            | -       | -       | -       | -       |
| Disposals                            | -       | -       | -       | -       |
| Depreciation expense                 | (213)   | (724)   | (213)   | (724)   |
| Total fixtures and fittings          | 2,633   | 2,846   | 2,633   | 2,846   |

## 12. Non-current assets – Intangible assets

|                                                   | Consolidated |             | Parent entity |            |
|---------------------------------------------------|--------------|-------------|---------------|------------|
|                                                   | 2007<br>\$   | 2006<br>\$  | 2007<br>\$    | 2006<br>\$ |
| Patents, licences and other rights                |              |             |               |            |
| Opening cost                                      | 5,117,095    | 5,117,095   | -             | -          |
| Closing cost                                      | 5,117,095    | 5,117,095   | -             | -          |
| Accumulated amortisation at the start of the year | (1,151,650)  | (810,510)   | -             | -          |
| Amortisation charge                               | (341,140)    | (341,140)   | -             | -          |
| Accumulated amortisation at the end of the year   | (1,492,790)  | (1,151,650) | -             | -          |
| Opening net book amount                           | 3,965,445    | 4,306,585   | -             | -          |
| Closing net book amount                           | 3,624,305    | 3,965,445   | -             | -          |

The Group holds a number of patents and licences in relation to its Adenoviral Vector Delivery platform technology. The patented Porcine and Fowl Adenoviral Vector Delivery Systems (PAV and FAV) are biological platform technologies for the pig and poultry industry. From these two systems, vaccines and biologically based productivity enhancers are constructed. There are no unfulfilled performance conditions in relation to the Group's rights to use these patents and licences, however under the terms of the licences the Group is responsible for the upkeep of the patents and patent applications. Imugene's R&D expenditure during the period relates principally to the continued development of these technologies and the vaccines and vaccine candidates derived from them.

The carrying amount of these patents and licences of \$3,624,305 (2006: \$3,965,445) will be fully amortised in 11 years (2006: 12 years). It remains Imugene's strategy to realise the value of these assets by progressing vaccines derived from the technologies through to a stage where remaining regulatory, marketing and manufacturing processes can be licensed or otherwise outsourced to major animal health companies and / or contract facilities.

### 13. Current liabilities – Trade and other payables

|                                | Consolidated   |                | Parent entity  |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2007<br>\$     | 2006<br>\$     | 2007<br>\$     | 2006<br>\$     |
| Trade payables                 | 419,045        | 688,654        | 419,035        | 686,654        |
| Deferred Income (refer note 6) | 30,343         | -              | 30,343         | -              |
| Other payables                 | 23,230         | 43,949         | 249,345        | 149,318        |
|                                | <b>472,618</b> | <b>732,603</b> | <b>698,723</b> | <b>835,972</b> |

### 14. Provisions

|                                  | Consolidated  |               | Parent entity |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | 2007<br>\$    | 2006<br>\$    | 2007<br>\$    | 2006<br>\$    |
| Employee benefits - annual leave | 87,932        | 73,437        | 87,932        | 73,437        |
|                                  | <b>87,932</b> | <b>73,437</b> | <b>87,932</b> | <b>73,437</b> |

### 15. Contributed equity

|                          | Parent entity  |                | Parent entity |            |
|--------------------------|----------------|----------------|---------------|------------|
|                          | 2007<br>Shares | 2006<br>Shares | 2007<br>\$    | 2006<br>\$ |
| <b>(a) Share capital</b> |                |                |               |            |
| Ordinary shares          | 130,579,564    | 130,579,564    | 13,180,042    | 13,180,042 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

#### (b) Movements in ordinary share capital

| Description     | Date         | Number of shares | \$         |
|-----------------|--------------|------------------|------------|
| Opening balance | 01 July 2005 | 130,579,564      | 13,180,042 |
| Balance         | 01 July 2006 | 130,579,564      | 13,180,042 |
| Closing balance | 30 June 2007 | 130,579,564      | 13,180,042 |

Information in relation to options on issue, including details of all options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year is set out in note 17.

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 16. Reserves and accumulated losses

|                                 | Consolidated |            | Parent entity |            |
|---------------------------------|--------------|------------|---------------|------------|
|                                 | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$ |
| (a) Share-based payment reserve |              |            |               |            |
| Balance 1 July                  | 264,545      | 267,605    | 264,545       | 267,605    |
| Option expense                  | 541,700      | -          | 541,700       | -          |
| Options cancelled               | -            | (3,060)    | -             | (3,060)    |
| Balance 30 June                 | 806,245      | 264,545    | 806,245       | 264,545    |
| (b) Accumulated losses          |              |            |               |            |
| Balance 1 July                  | 6,982,206    | 4,794,987  | 6,982,206     | 4,794,987  |
| Net loss for the year           | 2,304,263    | 2,187,219  | 2,304,263     | 2,187,219  |
| Balance 30 June                 | 9,286,469    | 6,982,206  | 9,286,469     | 6,982,206  |

With respect to the payment of dividends (if any) by Imugene in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

Expenses arising from share-based payment transactions recognised during the year are as follows:

|                                      | Consolidated & Parent entity |            |
|--------------------------------------|------------------------------|------------|
|                                      | 2007<br>\$                   | 2006<br>\$ |
| <b>Recognised as part of</b>         |                              |            |
| Research & development expense       | 277,887                      | -          |
| Business development expense         | 95,420                       | -          |
| Commercialisation expense            | 153,007                      | -          |
| Corporate and Administration expense | 15,386                       | (3,060)    |
|                                      | 541,700                      | (3,060)    |

Imugene does not have a formal employee share option plan however the Board has from time to time granted options to employees and officers on a discretionary basis where it is considered that this provides a cost-effective and efficient means of remunerating and incentivising employees. In addition, shareholders have, in general meeting, approved the grant of incentive options to Directors. The share-based payment expenses above have been recognised in respect of the fair value of options granted as remuneration.

The fair value of options granted during the year was calculated using the Black-Scholes option pricing model. Expense has been apportioned pro-rata to reporting periods where vesting periods apply.

The weighted average fair value of options granted during the year was \$0.16 per option (2006: \$0.02). Key inputs to the model used in the calculation were as follows:

- Expected price Volatility – 95% (2006: 72%) based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information
- Exercise prices – (contractual exercise price of options, as disclosed in note 17)
- Expiry dates – (contractual expiry date of options, as disclosed in note 17)
- Share price at grant date - \$0.30 (2006: \$0.16)

## 17. Options

As at balance date, the Company and Consolidated Entity has the following classes of options on issue:

| Description                  | 2007<br>Number | 2006<br>Number | Exercise<br>Price | Expiry    |
|------------------------------|----------------|----------------|-------------------|-----------|
| Listed options               | -              | 4,250,000      | \$ 0.500          | 31-Jan-07 |
| Unlisted performance options |                |                |                   |           |
| Type 1                       | 4,633,333      | 4,633,333      | \$ 0.225          | 31-Oct-07 |
| Type 2                       | -              | 2,000,000      | \$ 0.300          | 31-Dec-06 |
| Type 3                       | -              | 2,000,000      | \$ 0.250          | 31-Dec-06 |
| Type 4                       | -              | 2,000,000      | \$ 0.250          | 31-Dec-06 |
| Type 5                       | -              | 200,000        | \$ 0.300          | 31-Dec-06 |
| Type 6                       | 333,333        | 333,333        | \$ 0.375          | 31-Oct-07 |
| Type 7                       | 200,000        | 200,000        | \$ 0.500          | 31-Oct-07 |
| Type 8                       | -              | 50,000         | \$ 0.300          | 31-Jan-07 |
| Type 9                       | 4,350,000      | -              | \$ 0.250          | 31-Dec-09 |
| Total                        | 9,516,666      | 15,666,666     |                   |           |

Options carry no dividend or voting rights. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

(a) Movements in the number of options on issue during the year are as follows:

|                           | 2007<br>Number | 2006<br>Number |
|---------------------------|----------------|----------------|
| At 1 July                 | 15,666,666     | 16,283,333     |
| Granted during the year   |                |                |
| Type 6                    | -              | 133,333        |
| Type 7                    | -              | 200,000        |
| Type 8                    | -              | 50,000         |
| Type 9                    | 4,350,000      | -              |
| Expired during the year   |                |                |
| Listed Options            | (4,250,000)    | -              |
| Type 2                    | (2,000,000)    | -              |
| Type 3                    | (2,000,000)    | -              |
| Type 4                    | (2,000,000)    | -              |
| Type 5                    | (200,000)      | -              |
| Type 8                    | (50,000)       | -              |
| Cancelled during the year | -              | (1,000,000)    |
| At 30 June                | 9,516,666      | 15,666,666     |

# NOTES TO THE FINANCIAL STATEMENTS (CONT.)

## 18. Key management personnel disclosures

(a) The Directors of Imugene Limited during the year were:

Mr Graham Dowland (Executive Chairman)  
Dr Warwick Lamb (Managing Director)  
Mr Roger Steinepreis (Non-executive Director)

(b) The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the current and prior financial years.

### 2007

Dr Michael Sheppard (Chief Scientific Officer)  
Dr Richard Brandon (Business Development Officer,  
resigned 14 December 2006)

### 2006

Dr Michael Sheppard (Chief Scientific Officer)  
Dr Richard Brandon (Business Development Officer,  
appointed 14 June 2006)  
Dr Paul Macleman (Chief Operating Officer,  
resigned 31 January 2006)

(all of the above are employed directly by Imugene Limited)

In addition, the Company Secretary, Alex Neuling is deemed a Company executive under s9 of the *Corporations Act 2001*.

### (c) Key management personnel compensation

|                              | Consolidated     |                | Parent entity    |                |
|------------------------------|------------------|----------------|------------------|----------------|
|                              | 2007             | 2006           | 2007             | 2006           |
|                              | \$               | \$             | \$               | \$             |
| Short term employee benefits | 662,495          | 781,687        | 662,495          | 781,687        |
| Post-employment benefits     | 39,760           | 82,187         | 39,760           | 82,187         |
| Share-based payments         | 541,700          | (7,541)        | 541,700          | (7,541)        |
|                              | <b>1,243,955</b> | <b>856,333</b> | <b>1,243,955</b> | <b>856,333</b> |

The Company has taken advantage of the relief provided by ASIC Class order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A to D of the Remuneration Report on pages 10 to 12.

Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Imugene Limited and other key management personnel of the Group, including their personally related parties, are set out below.

|                                                    | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance when ceased employment | Balance at the end of the year | Vested and exercisable | Unvested  |
|----------------------------------------------------|------------------------------|-------------------------|-----------|---------------|--------------------------------|--------------------------------|------------------------|-----------|
| <b>2007</b>                                        |                              |                         |           |               |                                |                                |                        |           |
| <b>Directors of Imugene Limited</b>                |                              |                         |           |               |                                |                                |                        |           |
| Graham Dowland                                     | 2,500,000                    | 500,000                 | -         | (2,500,000)   |                                | 500,000                        | 250,000                | 250,000   |
| Warwick Lamb                                       | 2,500,000                    | 2,500,000               |           | (2,500,000)   |                                | 2,500,000                      | 1,250,000              | 1,250,000 |
| Roger Steinepreis                                  | -                            | -                       | -         | -             |                                | -                              | -                      | -         |
| <b>Other key management personnel of the Group</b> |                              |                         |           |               |                                |                                |                        |           |
| Michael Sheppard                                   | 1,500,000                    | 1,250,000               | -         | (1,250,000)   |                                | 1,500,000                      | 1,350,000              | 150,000   |
| Richard Brandon                                    | -                            | -                       | -         | -             | -                              | -                              | -                      | -         |
| Alex Neuling                                       | 250,000                      | 100,000                 | -         | (50,000)      |                                | 300,000                        | 300,000                | -         |
| <b>2006</b>                                        |                              |                         |           |               |                                |                                |                        |           |
| <b>Directors of Imugene Limited</b>                |                              |                         |           |               |                                |                                |                        |           |
| Graham Dowland                                     | 2,500,000                    | -                       | -         | -             |                                | 2,500,000                      | 2,500,000              | -         |
| Warwick Lamb                                       | 2,500,000                    | -                       | -         | -             |                                | 2,500,000                      | 2,500,000              | -         |
| Roger Steinepreis                                  | -                            | -                       | -         | -             |                                | -                              | -                      | -         |
| <b>Other key management personnel of the Group</b> |                              |                         |           |               |                                |                                |                        |           |
| Michael Sheppard                                   | 1,500,000                    | -                       | -         | -             |                                | 1,500,000                      | 1,500,000              | -         |
| Paul MacLeman                                      | 1,400,000                    | -                       | -         | (1,000,000)   | 400,000                        | -                              | 400,000                | -         |
| Richard Brandon                                    | -                            | -                       | -         | -             |                                | -                              | -                      | -         |
| Alex Neuling                                       | -                            | 250,000                 |           |               |                                | 250,000                        | 250,000                | -         |

Details of options provided as remuneration and shares issued on exercise of such options, together with the terms and conditions of the options, can be found in section D of the remuneration report on page 12.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Imugene Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

|                                                    | Balance at start of the year | Exercised | Other changes | Balance when ceased employment | Balance at the end of the year |
|----------------------------------------------------|------------------------------|-----------|---------------|--------------------------------|--------------------------------|
| <b>2007</b>                                        |                              |           |               |                                |                                |
| <b>Directors of Imugene Limited</b>                |                              |           |               |                                |                                |
| Graham Dowland                                     | 6,790,002                    | -         | -             |                                | 6,790,002                      |
| Warwick Lamb                                       | 6,400,001                    | -         | -             |                                | 6,400,001                      |
| Roger Steinepreis                                  | 4,263,678                    | -         | -             |                                | 4,263,678                      |
| <b>Other key management personnel of the Group</b> |                              |           |               |                                |                                |
| Michael Sheppard                                   | 228,589                      | -         | (72,000)      |                                | 156,589                        |
| Richard Brandon                                    | -                            | -         | -             | -                              | -                              |
| <b>2006</b>                                        |                              |           |               |                                |                                |
| <b>Directors of Imugene Limited</b>                |                              |           |               |                                |                                |
| Graham Dowland                                     | 6,790,002                    | -         | -             |                                | 6,790,002                      |
| Warwick Lamb                                       | 6,400,001                    | -         | -             |                                | 6,400,001                      |
| Roger Steinepreis                                  | 4,263,678                    | -         | -             |                                | 4,263,678                      |
| <b>Other key management personnel of the Group</b> |                              |           |               |                                |                                |
| Michael Sheppard                                   | 228,589                      | -         | -             |                                | 228,589                        |
| Richard Brandon                                    | -                            | -         | -             |                                | -                              |



## NOTES TO THE FINANCIAL STATEMENTS (CONT.)

### 18. Key management personnel disclosures (continued)

#### (iii) Loans to key management personnel

There were no loans made to directors of Imugene Limited or other key management personnel of the Group (or their personally related entities) during the current or previous financial year.

#### (iv) Other transactions with key management personnel

During the prior year, Steinepreis Paganin, a law firm of which Mr Roger Steinepreis is a partner, provided legal services to the Company, for which it was paid \$778. No amounts were paid or payable in respect of services for the year to 30 June 2007.

During the year, Vetspec Pty Ltd and VSC Services Pty Ltd, companies of which Dr Warwick Lamb is a director and beneficial shareholder, provided a serviced office (in Sydney) and other administration services to the Company. For the year ended 30 June 2007, the Company paid totalling \$66,000 (2006: \$51,000) to Vetspec Pty Ltd and VSC Services Pty Ltd and this has been recognised in the financial statements as an expense.

The aggregate amount recognised as an expense in relation to these transactions is \$66,000 (2006: \$51,778).

### 19. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

|                                                                                                                | Consolidated |            | Parent entity |            |
|----------------------------------------------------------------------------------------------------------------|--------------|------------|---------------|------------|
|                                                                                                                | 2007<br>\$   | 2006<br>\$ | 2007<br>\$    | 2006<br>\$ |
| Deloitte Touche Tohmatsu for:                                                                                  |              |            |               |            |
| - an audit or review of financial reports and other<br>other audit work under the <i>Corporations Act 2001</i> | 40,625       | 30,000     | 40,625        | 30,000     |
| Unrelated audit firms for audit of regulatory returns                                                          | 3,500        | 5,000      | 3,500         | 5,000      |
| Total remuneration for audit services                                                                          | 44,125       | 35,000     | 44,125        | 35,000     |

### 20. Segment information

The Company and Consolidated Entity operates in one geographical and business segment, being the research, development and commercialisation of animal health technologies in Australia.

### 21. Reconciliation of loss after income tax to net cash outflow from operating activities

|                                                            | Consolidated |             | Parent entity |             |
|------------------------------------------------------------|--------------|-------------|---------------|-------------|
|                                                            | 2007<br>\$   | 2006<br>\$  | 2007<br>\$    | 2006<br>\$  |
| Loss for the year                                          | (2,304,263)  | (2,187,219) | (2,304,263)   | (2,187,219) |
| Depreciation and amortisation                              | 345,705      | 346,648     | 4,565         | 5,508       |
| Share based payment (note 15)                              | 541,700      | (3,060)     | 541,700       | (3,060)     |
| Interest income                                            | (101,693)    | (196,561)   | (93,562)      | (192,727)   |
| Provision for employee benefits                            | 14,495       | 24,544      | 14,495        | 24,544      |
| Impairment writedown of research and<br>development assets | -            | -           | 1,226,350     | 1,190,702   |
| Loss on disposal of fixed assets                           | 7,511        | -           | 7,511         | -           |
| (increase) / decrease in working capital                   | (206,308)    | 182,511     | (1,145,958)   | 290,658     |
| Net cash outflow from operating activities                 | (1,702,853)  | (1,833,137) | (1,749,162)   | (871,594)   |

## 22. Earnings / (Loss) per share

|                                                                                                                                                     | Consolidated |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
|                                                                                                                                                     | 2007         | 2006        |
|                                                                                                                                                     | Cents        | Cents       |
| <b>Basic / diluted loss per share</b>                                                                                                               |              |             |
| Loss attributable to the ordinary equity holders of the Company                                                                                     | (1.8)        | (1.7)       |
|                                                                                                                                                     | \$           | \$          |
| <b>Loss used in calculation of basic / diluted loss per share</b>                                                                                   |              |             |
| Loss                                                                                                                                                | (2,304,263)  | (2,187,219) |
|                                                                                                                                                     | Number       | Number      |
| <b>Weighted average number of ordinary shares / potential ordinary shares used as the denominator in calculating basic / diluted loss per share</b> | 130,579,564  | 130,579,564 |

The options on issue (Note 17) represent potential ordinary shares but are not dilutive as they would decrease the loss per share. Accordingly they have been excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

## 23. Subsequent events

Subsequent to year-end, the Company received \$322,531 from the ATO in respect of its 2006 R&D tax concession rebate and \$95,478 from AusIndustry under its Commercial Ready grant in respect of the quarter to 30 September 2007. Also, on 18 July 2007 the Company announced the commencement of its PRRS vaccine trial.

Other than as disclosed above, no event has arisen since 30 June 2007 that would be likely to materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial report.

## 24. Contingencies

The Consolidated Entity has no contingent assets or liabilities at balance date (2006: none).

## 25. Related party transactions

There have been no transactions with related parties during the year ended 30 June 2007 other than as disclosed elsewhere in the financial report (2006: none).

## Directors Declaration

In the directors' opinion:

- (a) The financial statements and notes set out on pages 16 to 35 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) Giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 10 to 12 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by s.295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**GRAHAM DOWLAND**  
Executive Chairman

Perth, 25 September 2007

# ADDITIONAL STOCK EXCHANGE INFORMATION

## Corporate Governance

### Introduction

Imugene Limited ACN 009 179 551 ("**Company**") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.imugene.com](http://www.imugene.com):

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- policy and procedure for selection and appointment of new directors;
- summary of code of conduct for directors and key executives;
- summary of policy on securities trading;
- Audit Committee Charter;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

## Explanations for departures from best practice recommendations

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles<sup>1</sup> and the corresponding Best Practice Recommendations<sup>2</sup> as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

| Principle Ref | Recommendation Ref | Notification of Departure                                                                                                                                                                                                                     | Explanation for Departure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2             | 2.1                | The Board comprises one non-executive director and two executive directors, none of whom satisfy the test of independence in box 2.1 of the ASX Corporate Governance Council's Principles of Good Corporate Governance ("Independence Test"). | The Board considers that its current composition is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant to the Company's investments. Imugene Limited considers industry experience and specific expertise to be important attributes of its board members.                                                                                                                                                                                                                                                                                                                        |
| 2             | 2.2                | The Chairman does not satisfy the ASX Corporate Governance Council's Independence Test.                                                                                                                                                       | Notwithstanding that Mr Dowland does not satisfy all aspects of the Independence Test, the Board considers that its current structure is appropriate for the Company's size and operations. In addition, Mr Dowland has played a key role in re-directing the Company and has extensive experience as both a director and chairman of various listed companies, making him the most qualified Board member for this role.<br><br>In situations where it would be inappropriate for Mr Dowland to act as chairman (for example, when there is a conflict of interest), the Board has appointed Mr Roger Steinepreis as the lead non-executive director. |
| 2             | 2.4                | A separate nomination committee has not been formed.                                                                                                                                                                                          | Given the Board comprises three members and director appointments are relatively infrequent, it was decided that no efficiencies would be achieved by establishing a separate nomination committee. The whole board carries out the duties which would otherwise be undertaken by the nomination committee and each member excludes him or herself from matters in which he has a material person interest and otherwise ensures compliance with all aspects of the Corporations Act in relation to related party transactions.                                                                                                                        |
| 4             | 4.2                | A separate audit committee has not been formed.                                                                                                                                                                                               | The whole Board carries out the duties of the audit committee. In so acting, the whole Board follows the Audit Committee Charter a copy of which is available to shareholders on request.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4             | 4.3                | The full Board carries out the functions of an audit committee which is not in compliance with the criteria specified in the best practice recommendation 4.3.                                                                                | Due to the small scale of the Company's business and the size of the Board, the Board does not consider that the Company will gain any benefit from a separate audit committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

<sup>1</sup> A copy of the Ten Essential Corporate Governance Principles are set out on the Company's website under the Section entitled "Corporate Governance".

<sup>2</sup> A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance".

## ADDITIONAL STOCK EXCHANGE INFORMATION (cont.)

### **Skills, experience, expertise and term of office of each director**

A profile of each director containing the applicable information is set out in the Directors' Report.

### **Identification of independent directors**

The board currently has no directors that satisfy the test of independence in box 2.1 of ASX Corporate Governance Council's Principles of Good Corporate Governance ("Independence Test")

### **Statement concerning availability of independent professional advice**

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

### **Names of nomination committee members and their attendance at committee meetings**

The full Board carries out the functions of a nomination committee in accordance with the Nomination Committee Charter. Details of meetings of the Board and committees are disclosed in the Directors' Report.

### **Names and qualifications of audit committee members**

The full Board carries out the functions of an Audit Committee in accordance with the Audit Committee Charter.

The relevant financial expertise and industry experience of each of the Board members is set out in the Directors' Report.

### **Number of audit committee meetings and names of attendees**

Details of meetings of the Board and committees are disclosed in the Directors' Report.

### **Confirmation whether performance evaluation of the board and its members have taken place and how conducted**

During the Reporting Period an evaluation of the Board and its members was carried out by the Board. External consultants were not used.

### **Company's remuneration policies**

Details of the Company's remuneration policies are disclosed in the Remuneration Report contained in the Directors Report.

### **Names of remuneration committee members and their attendance at committee meetings.**

The full Board carries out the functions of a Remuneration Committee in accordance with the Remuneration Committee Charter. Details of meetings of the Board and committees are in the Directors' Report.

### **Existence and terms of any schemes for retirement benefits for non-executive directors**

The Company does not have any schemes relating to retirement benefits for non-executive directors.

The shareholder information set out below was applicable as at 28 September 2007.

## 1. Twenty largest shareholders

| Ordinary shares                                                                  | Number             | Percentage     |
|----------------------------------------------------------------------------------|--------------------|----------------|
| Dr Warwick Lamb                                                                  | 6,150,001          | 4.71%          |
| Queensland Investments Corporation                                               | 4,895,207          | 3.75%          |
| Mrs Treffina Dowland                                                             | 4,830,001          | 3.70%          |
| Blueknight Corporation Pty Ltd                                                   | 4,263,678          | 3.27%          |
| ANZ Nominees Limited <Cash Income A/C>                                           | 3,765,404          | 2.88%          |
| Mcrae Investments Pty Ltd                                                        | 2,471,666          | 1.89%          |
| Techstart Australia Pty Ltd                                                      | 2,387,738          | 1.83%          |
| Mr Henry Wiechecki                                                               | 2,000,000          | 1.53%          |
| Merrill Lynch (Australia) Nominees Pty Ltd <Berndale A/C>                        | 1,950,000          | 1.49%          |
| Mr Stephen James Moyle & Mrs Christine Maree Moyle <Moyle Family Super Fund A/C> | 1,750,000          | 1.34%          |
| Yambali Pty Ltd <Zeaiter Family A/C>                                             | 1,700,000          | 1.30%          |
| Eurasia Pty Ltd <Mintec Australia>                                               | 1,666,667          | 1.28%          |
| Donwillow Pty Ltd                                                                | 1,660,000          | 1.27%          |
| Darley Pty Ltd                                                                   | 1,500,000          | 1.15%          |
| Treecity Pty Ltd <Stanley S/F A/C>>                                              | 1,500,000          | 1.15%          |
| Greenfield Company Limited                                                       | 1,200,000          | 0.92%          |
| Lost Ark Nominees Pty Ltd <D2 A/C>                                               | 1,060,741          | 0.81%          |
| Lost Ark Nominees Pty Ltd <PST A/C>                                              | 1,054,959          | 0.81%          |
| Mr Gordon Menzies Wilson                                                         | 1,044,679          | 0.80%          |
| Greenslade Holdings Pty Ltd                                                      | 1,000,000          | 0.77%          |
| <b>Total top 20</b>                                                              | <b>47,850,741</b>  | <b>36.64%</b>  |
| Other                                                                            | 82,728,823         | 63.36%         |
| <b>Total ordinary shares on issue</b>                                            | <b>130,579,564</b> | <b>100.00%</b> |



## ADDITIONAL STOCK EXCHANGE INFORMATION (cont.)

### 2. Distribution of equity securities

|                     | Ordinary shares | Unlisted options |
|---------------------|-----------------|------------------|
| 1 - 1,000           | 571             | -                |
| 1,001 - 5,000       | 401             | -                |
| 5,001 - 10,000      | 434             | -                |
| 10,001 - 100,000    | 869             | -                |
| 100,001 - and above | 182             | 14               |
|                     | 2,457           | 14               |

### 3. Unquoted securities

The names of the holders holding more than 20% of each class of unlisted securities are set out below:

Performance options – excise price of \$0.225 and expiry date of 31 October 2007

|                                    | Number    |
|------------------------------------|-----------|
| Lost Ark Nominees Pty Ltd <D1 A/C> | 1,079,851 |

Performance options – excise price of \$0.25 and expiry date of 31 December 2009

|                 | Number    |
|-----------------|-----------|
| Dr Warwick Lamb | 2,500,000 |

### 4. Voting rights

See Notes 15 and 17 to the Financial Statements.

### 5. On-market buy back

There is currently no on-market buy back program for any of Imugene's listed securities.

### 6. Company secretary, registered and principal administrative office and share registry

See Corporate Directory.

# CORPORATE DIRECTORY

## Directors

Mr Graham Dowland – Executive Chairman  
Dr Warwick Lamb – Managing Director  
Mr Roger Steinepreis – Non-Executive Director

## Company Secretary

Mr Alex Neuling

## Registered and Principal Office

Level 1  
14 – 20 Delhi Road  
North Ryde NSW 2113  
Australia

Telephone: (61 2) 9870 7330  
Facsimile: (61 2) 9888 9338

## Perth Office

Level 20, Allendale Square  
77 St Georges Terrace  
Perth WA 6000  
Australia

Telephone: (61 8) 9440 2660  
Facsimile: (61 8) 9440 2699

## Share Register

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Australia

Telephone: 1300 557 010  
International: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033

## Solicitors

Steinepreis Paganin

## Patent Attorney

Marshall, Gerstein & Borun, LLP  
233 South Wacker Drive  
6300Sears Tower  
Chicago, IL 60606-6357

## Auditor

Deloitte Touche Tohmatsu  
240 St Georges Terrace  
Perth WA 6000

## Bankers

Australia and New Zealand Banking  
Group Limited

## Stock Exchange Listing

Imugene Limited shares are listed on  
the Australian Stock Exchange (Symbol: IMU).

## Website and Email

[www.imugene.com](http://www.imugene.com)  
[imugene@imugene.com](mailto:imugene@imugene.com)



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