IMUGENE LIMITED

ABN 99 009 179 551

Appendix 4D – 31 December 2008 Half-Year Report

1. Reporting Period

The current reporting period is the period ended 31 December 2008 and the previous corresponding period is for the period ended 31 December 2007.

2. Results for Announcement to the Market.

	31 December 2008	31 December 2007	% Change
	$	$	
2.1 Revenue from ordinary activities.	3,099,568	212,833	1356% Increase
2.2 Profit (loss) from ordinary activities after tax attributable to members.	1,920,946	(1,274,262)	251% Increase
2.3 Net profit (loss) for the period attributable to members.	1,920,946	(1,274,262)	251% Increase
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period.		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable.		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 31 December 2008.		

3. Net Tangible Assets Per Security

	31 December 2008	31 December 2007
	Cents	Cents
Net tangible assets per security	2.4	0.1

4. Gain or Loss of Control Over Entities

Not applicable.

5. Details of Dividend and Distribution Payments

No dividends or distributions have been paid or provided for during the period.

6. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

7. Associates and Joint Venture Entities

Not applicable.

8. Foreign Entities

Not applicable.

9. Audit Dispute or Qualification

None.

IMUGENE

LIMITED

ABN 99 009 179 551

Interim Financial Report for the Half-Year Ended 31 December 2008

Imugene Limited

Imugene Limited

Corporate Directory

Directors

Mr Graham Dowland – Chairman

Dr Warwick Lamb – Managing Director

Mr Roger Steinepreis – Non-Executive Director

Company Secretary

Ms Julie Foster

Registered and Principal Office

Level 20, Allendale Square

77 St Georges Terrace

Perth WA 6000

Telephone: (61 8) 9440 2660

Facsimile: (61 8) 9440 2699

Laboratory

C/ - La Trobe University

Kingsbury Drive

Bundoora

Victoria 3086

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

Level 4, 16 Milligan Street

Perth WA 6000

Patent Attorney

McAndrews Held & Malloy Ltd

500 West Madison Street

34th Floor

Chicago, IL 60661

Auditor

BDO Kendalls Audit and Assurance (WA) P/L

128 Hay Street

Subiaco, WA 6008

Bankers

Australia and New Zealand Banking

Group Limited

77 St Georges Terrace

Perth WA 6000

Securities Exchange Listing

Imugene Limited shares

are listed on the Australian Securities

Exchange (Symbol: IMU)

Website and Email

www.imugene.com

Imugene@imugene.com

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 during the half-year ended 31 December 2008 ("Consolidated Entity" or "Group").

Directors

The names of the Directors of Imugene in office during the half-year and until the date of this report are:

Mr Graham Dowland
Dr Warwick Lamb
Mr Roger Steinepreis

Each Director held office from 1 July 2008 until the date of this report.

Review and Results of Operations

Operating Results

The Company recorded a net after tax profit of $1,920,946 (2007: net loss of $1,274,262) for the half-year ended 31 December 2008.

Summary Review of Operations

Imugene achieved substantial progress in the half year ended 31 December 2008. Early in the period Imugene received the results from an animal trial testing the company's Porcine Reproductive & Respiratory (PRRS) vaccine. These results were successful, showing that Imugene's new modified PRRS vaccine provided a very high degree of protection against the PRRS disease when two doses are administered either orally or by injection to young pigs. The achievement of proof of concept in this challenge trial and the high degree of protection provided was an important milestone for Imugene.

These results were reviewed by several major international animal health companies seeking solutions to this increasingly costly and damaging disease amongst herds.

This trial success together with Imugene's previous successes with the poultry vaccines candidates led to a major commercial deal being signed with Merial Limited.

Under this "Strategic Alliance", Merial has been granted exclusive use of the Imugene vector technology to progress vaccine candidates through the product development process to global sales. Accordingly, Merial will fund all product development and trial costs for each vaccine candidate.

The Strategic Alliance commenced on 31 December 2008 with Imugene receiving an initial payment of US$2m (AUD$2.9m) for reimbursement of past research fees and a licensing fee. Further research and licensing payments continue for up to a total of 7 years which allows Merial to assess and commercialise any vaccine candidates developed using the Imugene technology. After this period, Merial will become the exclusive global sublicensee to the FAV & PAV platform technology.

The terms of the Strategic Alliance includes the Poultry Productivity Enhancer previously sublicensed to Merial.

In addition to the above rights, Merial will sub-license any vaccine product that uses either the FAV or PAV vector technology that is to be commercialised. Merial will pay sublicense fees (in addition to the above fees) for each vaccine product, and milestone payments upon first registration for sale of each product. Further income will be generated by royalties on sales.

Royalties are payable on worldwide sales at a base rate of 5% or 6 %. Higher royalty rates are payable on certain products in certain jurisdictions. A mutually agreed minimum royalty income and payment schedule that begins within the Strategic Alliance period has been agreed.

The Strategic Alliance transforms Imugene's business model to utilise the financial, managerial and infrastructural strength of Merial to drive the development of the Imugene vaccine technology.

Imugene's strategy moving forward is to continue to run the Melbourne laboratory to support the product trial and development work undertaken by Merial in the US and Europe, and to provide immediate and increasing returns to our shareholders.

The funds received to date will enable Imugene to achieve its stated near term goals and eliminates any foreseeable need for raising capital. As at report date, Imugene is well positioned in this economic climate. The strategic alliance provides a base income which will increase with further sub-licenses, product registration milestone payments and royalty flows from product sales.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

GRAHAM DOWLAND

Chairman

Perth, Western Australia

25 February 2009

Auditor's Independence Declaration

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
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ABN 79 112 284 787

25th February 2009

The Directors
Imugene Limited
Allendale Square
Level 20
77 St George's Terrace
PERTH WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF IMUGENE LIMITED

As lead auditor of Imugene Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Imugene Limited and the entities it controlled during the period.

Peter Toll

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Western Australian, Perth

BDO Kendalls

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IMUGENE LIMITED

We have reviewed the accompanying half-year financial report of Imugene Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Imugene Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Kendalls

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Imugene Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Peter Toll

Peter Toll
Director

Signed in Perth, Western Australia
Dated this 25th day of February 2009.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 12 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Imugene Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors

GRAHAM DOWLAND

Chairman

Perth, Western Australia

25 February 2009

Imugene Limited

Consolidated income statement
For the half-year ended 31 December 2008

	Note	Consolidated	
		Half-year ended 31 December 2008	Half-year ended 31 December 2007
		$	$
Revenue from continuing operations		**2,989,015**	25,968
Other income		**110,553**	186,865
Total income		**3,099,568**	212,833
Research and development		**(549,877)**	(644,188)
Business development		**(77,725)**	(104,706)
Commercialisation expenses		**(303,067)**	(359,661)
Corporate and administration costs		**(356,410)**	(378,540)
		(1,287,079)	(1,487,095)
Profit from ordinary activities before income tax	**3**	**1,812,489**	(1,274,262)
Income tax (expense) / benefit		**108,457**	-
Net profit / (loss) attributable to equity holders of Company		**1,920,946**	(1,274,262)
Earnings / (loss) per share			
Basic profit / (loss) per share (cents per share)		**1.3**	(1.0)
Diluted profit / (loss) per share (cents per share)		**1.3**	(1.0)

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

Imugene Limited

Consolidated balance sheet
As at 31 December 2008

	Consolidated	
	As at 31 December 2008	As at 30 June 2008
	$	$
Current assets		
Cash and cash equivalents	**3,802,833**	1,619,678
Trade and other receivables	**12,894**	60,771
Tax assets	**318,272**	189,869
Total current assets	**4,133,999**	1,870,318
Non-current assets		
Property, plant and equipment	**3,871**	9,944
Intangible assets	**3,112,595**	3,283,165
Total non-current assets	**3,116,466**	3,293,109
Total assets	**7,250,465**	5,163,427
Current liabilities		
Trade and other payables	**545,451**	400,940
Provisions	**108,006**	92,425
Total liabilities	**653,457**	493,365
Net assets	**6,597,008**	4,670,062
Equity		
Contributed equity	**14,907,453**	14,907,453
Reserves	**966,003**	960,003
Accumulated losses	**(9,276,448)**	(11,197,394)
Total equity	**6,597,008**	4,670,062

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

Imugene Limited

Consolidated statement of changes in equity
For the half-year ended 31 December 2008

	Consolidated	
	Half-year ended 31 December	Half-year ended 31 December
	2008	2007
	$	$
Share Capital		
At the beginning of the half-year	**14,907,453**	13,180,042
At the end of the half-year	**14,907,453**	13,180,042
Share Based Payment Reserve		
At the beginning of the half-year	**960,003**	806,245
Share Based Payment Expense	**6,000**	142,218
At the end of the half-year	**966,003**	948,463
Accumulated losses		
At the beginning of the half-year	**(11,197,394)**	(9,286,469)
Profit / (loss) for the period	**1,920,946**	(1,274,262)
At the end of the half-year	**(9,276,448)**	(10,560,731)
Total Equity		
At the beginning of the half-year	**4,670,062**	4,699,818
At the end of the half-year	**6,597,008**	3,567,774
Net income recognised directly in equity		
Profit / (loss) for the period	1,920,946	(1,274,262)
Total recognised income and expense for the period	**1,920,946**	**(1,274,262)**

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

Imugene Limited

Consolidated cash flow statement
For the half-year ended 31 December 2008

	Consolidated	
	Half-year ended 31 December	Half-year ended 31 December
	2008	2007
	$	$
Cash flows from operating activities		
Receipts from customers	**2,940,164**	500
Payments to suppliers and employees	**(1,026,496)**	(1,124,255)
R&D grant (repaid) / received	**(12,702)**	318,255
Other income	**242,305**	205,821
Net cash inflow / (outflow) from operating activities	**2,143,271**	(599,679)
Cash flows from investing activities		
Interest received	**39,884**	27,196
Net cash inflow from investing activities	**39,884**	27,196
Cash flows from financing activities		
Proceeds from Rights Issue applications received in advance	**-**	121,779
Net cash inflow from financing activities	**-**	121,779
Net increase / (decrease) in cash and cash equivalents	**2,183,155**	(450,704)
Cash and cash equivalents at the beginning of the half year	**1,619,678**	1,099,226
Cash and cash equivalents at the end of the half year	**3,802,833**	648,522

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

Notes to the condensed financial statements
For the half-year 31 December 2008

1. Significant accounting policies

Basis of preparation

The general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30June 2008 and any public announcements made by Imugene Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

2. Profit for the half-year

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

<u>Income</u>

Imugene entered into a Strategic Alliance with Merial Limited on 31 December 2008 with Imugene receiving an initial payment of $2,893,572 (2008: nil) for reimbursement of past research fees and a licensing fee. Further research and licensing payments continue for up to a total of 7 years which allows Merial to assess and commercialise any vaccine candidates developed using the Imugene technology

3. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2008 (2007: None).

4. Segment information

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

5. Events occurring after the balance sheet date

No event has occurred since 31 December 2008 that would 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 half-year financial report.

6. Contingencies

The Consolidated Entity has no contingent liabilities as at balance date.