



Safe biological methods for improving poultry and pig health

Annual Report 2009

IMUGENE

LIMITED

Advanced Vaccine Technologies

Corporate Directory

Directors

Mr Graham Dowland – Executive Chairman

Dr Warwick Lamb – Managing Director

Mr Roger Steinepreis – Non-Executive Director

Chief Scientific Officer

Dr Michael Sheppard

Company Secretary

Ms Julie Foster

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Investor Relations Consultant

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Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd

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Bankers

Australia and New Zealand Banking

Group Limited

Stock Exchange Listing

Imugene Limited shares

are listed on the Australian Securities

Exchange (Symbol: IMU).

Website and Email

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2009 HIGHLIGHTS

Signed strategic alliance with Merial, the world's third largest animal health company

01

- Exclusive rights to advance commercialisation of vaccines developed using Imugene's technologies
- Initial contract value to Imugene exceeds AU\$30 million over seven years
- Each additional vaccine to be commercialised by Merial will attract further sub-licence fees, development milestone fees and royalties on sales

Transferred technology to Merial's laboratories in the US and France to commence vaccine development programs

02

Porcine Reproductive and Respiratory Syndrome vaccine proved highly effective in US-based trials

03

Completed successful laboratory construction and testing of new swine influenza vaccines

04

Achieved positive operating annual cash flow of \$959,000

05

Chairman's Letter

Dear Shareholder,

The last 12 months were pivotal for Imugene. The combination of establishing a strategic alliance with Merial – one of the world's leading animal health companies – and achieving our first positive operating cash flow represents an important transformation for Imugene.

It was also a year in which another strain of animal related flu – H1N1 swine influenza – dominated the news headlines. While the outbreak of a flu pandemic is always a concern, this instance specifically illustrates the importance of maintaining good health in the animal industry with effective vaccines. Such outbreaks drive greater demand for vaccine products and create opportunities for Imugene to expand and build awareness of the advantages of its technologies.

The strategic alliance with Merial signifies the delivery of a major milestone in the execution of Imugene's strategy; to develop and add value to our vaccine products as we advance them towards commercialisation and sales. In a market as diverse and global as the pig and poultry industries our preferred strategy has always been to partner with a reputable animal health company to complete the path to market.

Our strategy, and this alliance, offers many advantages: We are able to leverage the vast regulatory, manufacturing and marketing experience and extensive established distribution networks of our global partner; it reduces the cost burden on us to take products to market; and it allows us to focus on our strength – the development of new vaccine products.

We have secured one of the best possible partners in Merial. They have been a long time supporter of Imugene and have a deep understanding of our technologies and their value. Merial has unrivalled experience in Imugene's area of focus – biologically based animal vaccines – and the infrastructure to roll them out globally. Finally, Merial is focussed on innovation and share as a priority the development of our technology.

At the time of executing the agreement the value of the alliance exceeded AU\$30 million to be delivered in structured annual payments over a seven-year period. The alliance gives Merial exclusive global rights to assess and commercialise any vaccine candidates developed using Imugene technologies. The vaccines currently sublicensed to Merial are the Porcine Reproductive and Respiratory Syndrome (PRRS) vaccine for pigs and the Poultry Productivity Enhancer (PPE).

This is just the starting point – the alliance has the potential to generate substantial further revenue for Imugene. For each additional vaccine selected for commercialisation by Merial, Imugene will also earn sublicense fees, development milestone fees, and royalties on sales.

The alliance may achieve a significant return from Imugene's AU\$8 million investment into the development of safe and effective platform vaccine technologies for poultry and pigs. To date, it is an outstanding result which validates Imugene's commercial strategy and intellectual property (IP) portfolio while strengthening the financial position of our company.

We have already established a close and open working relationship with the Merial team. In the first year of the agreement Merial's focus will be on validating much of the data we have previously presented and progressing our PRRS pig vaccine through the development process. Once this validation is achieved, additional products will be added to the evaluation and development pipeline.

Our ability to meet existing and anticipated demand for vaccines will strengthen our position as a crucial development partner for Merial. The recent completion of laboratory construction of vaccines for two strains of swine influenza and the expansion of our patent estate indicate our ability to meet these demands.

We finished the year with the best financial result in the company's history. We reported for the first time an annual cash inflow of \$959,000 and had \$2.5 million cash on hand at 30 June 2009. We also reported a net profit after tax of \$650,000. Given that future trials, regulatory processes and product development will be funded by Merial, we expect future expenditure to be either maintained or reduced.

These results are the culmination of several years of focus and hard work by Imugene's small but talented team. To see our technologies validated by a leading partner is extremely satisfying and a testament to the expertise and dedication of our management and staff. In particular, I would like to thank our CEO Dr Warwick Lamb for his vision and leadership, and Dr Michael Sheppard, our Chief Scientific Officer, for his diligence, creativity, and perseverance.

Finally, I would like to thank you, our shareholders, for your ongoing support. We have very promising years ahead and we look forward to continuing to deliver financial success to you.

Yours sincerely,



GRAHAM DOWLAND
Chairman



Operations Report

Strategic alliance with Merial

As detailed in the Chairman's Letter, Imugene entered into a strategic alliance with Merial from 31 December 2008. This is a major milestone in our commercialisation strategy.

Merial, owned by leading French pharmaceutical company sanofi-aventis, is a significant partner for Imugene. As the world's third largest animal health company, it has operations spanning more than 150 countries and reported sales of over US\$2.6 billion in 2008.

The agreement gives Merial worldwide exclusive rights to Imugene's Vector vaccine delivery system and other animal health technologies, including sublicense rights to two vaccines, the PRRS vaccine for pigs and the Poultry Productivity Enhancer, both of which have already passed commercial proof of concept at Imugene. Merial is now pursuing the development of these two vaccine products. Merial also has rights to evaluate all of our additional vaccine candidates for proof of concept, and if successful, will progress these through product development.

The primary focus of the Merial partnership so far has been evaluating Imugene's vaccines in animal trials and evaluating how best to progress the vaccine products through their manufacturing processes. Additionally, Merial is assessing and validating our existing patents and intellectual property for additional commercial opportunities.

We have completed a transfer of technology to Merial's teams to begin the evaluation and development program for selected vaccines; including the manufacture and shipment of sufficient quantities of several lead vaccines to Merial's laboratories in France and the US. Imugene staff have visited these laboratories and actively supported the product trials and development work.

The construction of new vaccines for various swine influenza disease strains illustrates the potential additional benefits of the alliance for both parties. Imugene is able to efficiently develop new pre-proof of concept vaccines, which can then be tested in trials and developed by Merial. Imugene effectively acts as an innovation and development hub for Merial, allowing them to respond quickly to new market demands and creating additional sources of revenue for Imugene.

It is important to note that the alliance, and income derived from it, is dependent on our technologies fulfilling their potential. We are also mindful that Merial's internal research and development priorities and budgetary allocations are not within our control. It is fair and prudent to incorporate exit clauses in a deal of this size and duration, so it has been agreed that if Merial does not make a payment by the scheduled date it will lose all rights under the alliance, including the existing vaccine sub-licenses.

Having noted this risk we are confident that our products and technologies will meet expectations. They have passed our criteria for proof of concept and demonstrated good efficacy in our trials.

We believe that in partnership with Merial, our vaccines will be taken to market much sooner than had we acted alone. We are also confident that the Merial alliance will deliver new vaccine products developed using our patented and protected technologies. The alliance should make a substantial contribution to our income through royalties based on sales combined with the set fee schedule for the next seven years.

A diverse and deep product portfolio

Imugene is developing a range of animal health vaccine products to prevent important livestock diseases and enhance productivity, ultimately contributing to the safer production of protein-rich meat for human consumption and improving economic gains for the poultry and swine industries.

Our biologically-based vaccine products improve the health and welfare of pigs and poultry, reducing or eliminating the need to use antibiotics, chemicals and drugs. Imugene has a large range of products at various stages of development for poultry using the Fowl Adenovirus Vector (FAV), Imugene's vaccine delivery system for poultry and for pigs using the Porcine Adenoviral Vector (PAV).

Stage	Pigs	Poultry
Passed commercial proof of concept	• PRRS – Porcine Reproductive & Respiratory Syndrome vaccine • Classical Swine Fever vaccine	• PPE – Poultry Productivity Enhancer proven to boost growth and weight • H5N1 avian influenza vaccine • Coccidiosis preventative vaccine
Passed laboratory testing	• Swine influenza vaccines for H1N1 and H3N2 strains	• H7 and H9 avian influenza vaccine • Chicken Anaemia Virus • Infectious Bursal Disease vaccine
In laboratory development	• Porcine Circovirus vaccine • Porcine Parvovirus vaccine	• Infectious Laryngotracheitis Virus

Operations Report

The advantages of Imugene's Adenoviral Vector Vaccines

Adenoviral Vector Vaccines are among the most advanced methods of vaccinations for livestock. They represent an effective and relatively inexpensive way to produce vaccines for animals, when compared with older methods such as inactivating or killing infectious organisms or synthesising sub-unit protein vaccines for injection.

Imugene's Adenoviral Vector Vaccines work by replicating the protein in the virus and using a harmless same species virus (Fowl or Porcine Adenovirus – FAV/PAV) as a delivery system for genes that activate the bird or the pig's immune system. Importantly, these adenoviruses only infect one species. For example, a pig adenovirus will infect pigs, but not other animals or humans.

As Imugene's vaccines are biologically based – not chemically based – they are safe to use and leave no chemical residues, which is important given the growing consumer demand for drug and chemical free food products.

Our Adenoviral Vector Vaccines are easy to administer and target cells in a variety of tissues, including the respiratory and gastrointestinal tracts. It is this range of tissue targeting that gives the adenoviral vector the advantage of oral or aerosol administration. The products are also effective when administered by injection as the virus spreads to the target organs.

These vaccines are cost effective to manufacture, which is important in the cost conscious swine and poultry farming industries.

Lead product development: Imugene's Adenoviral Vaccine Range

Trial results confirm the success of PRRS Vaccine

In October 2008, we completed final pig trials in the US to test the efficacy of our PRRS vaccine, which delivered excellent results.

PRRS, which stands for Porcine Reproductive and Respiratory Syndrome, is a viral infection, which produces lung lesions in the infected animal. It is one of the most damaging diseases affecting pig producers worldwide and there is no effective treatment to prevent the large losses it causes.



Imugene has developed a vaccine, using its Porcine Adenoviral Vector (PAV) delivery systems and other proprietary technology, to protect piglets against the PRRS disease.

The results from the final trial show that the Imugene vaccine provides a very high degree of protection against the disease when two doses are administered either orally or by injection, protecting against disease of and reducing viral infection in the lungs, and preventing infection in the blood.

This vaccine has been sublicensed to Merial and is intended to be the lead product for pigs.

The vaccines in this section of the report have been tested and proved by Imugene in commercial animal trials.

Operations Report

Protecting against diseases in the future – the benefits of a platform technology

Imugene's platform technology is currently addressing some of the major diseases and health issues threatening pig and poultry production worldwide.

For each individual Imugene product the Adenoviral Delivery Vectors are used to deliver a different "payload". The result is a range of vaccines that protect pigs or poultry against specific infectious diseases or improve weight gain.

For the productivity enhancers, the Vector is used to deliver a "payload" of a gene that produces an immune protein. These proteins occur naturally in the pigs and poultry, but the vector with the attached payload boosts the levels, resulting in a stronger immune system, better able to fight off a range of diseases. The result is that pigs and poultry do not suffer growth losses that would occur as a result of disease.

For vaccine products, it is used to deliver a "payload" of an economically important virus or bacterial gene. The proteins produced are the same as those found in the pathogenic virus or bacteria. The advantage is that the host is not exposed to pathogenic virus or bacteria at all. The host immune system responds to the protein and subsequently is better able to fight off disease.

The identification of new disease areas and demand will be an important component of Imugene's strategy. If we can quickly and successfully construct new vaccine candidates for new disease targets which can then be tested and trialled by our partner Merial, we will play a vital role in helping Merial to continue to innovate and meet the demands of their customers worldwide and secure additional revenues for our company.



New products in development

Swine influenza vaccines

Swine influenza is a respiratory disease of pigs and outbreaks occur throughout many parts of the world. Imugene's swine influenza vaccine development program commenced in early 2008. In July 2009, we completed the laboratory construction of vaccines for two strains (H1N1 and H3N2) of the disease. Although swine influenza vaccination is routine in many countries, new strains of the disease create a demand for additional vaccines.

Our swine influenza vaccines are now ready to progress to animal trials for efficacy testing.

Product development in the animal health market

One of the advantages of animal health products and vaccines is the accelerated and simplified pathway to market compared to those developed for humans. Depending on the country, complexity of the technology and duration of necessary trials, products typically take two to five years to commercialise. The typical product development process is:

- Laboratory construction
- Assessment of commercial parameters
- Efficacy testing
- Subsequent trial phases
- Regulatory approvals
- Final stages of commercialisation

Operations Report

Imugene's technology is addressing the challenges facing the swine and poultry industries

The poultry and pig meat production industries are some of the largest agricultural industries in the world. But with new diseases and consumer demand for higher quality drug and chemical free products this extremely cost conscious industry will face significant challenges in coming years.

Imugene's products will help to address some of the major challenges facing the swine and poultry industries as they:

- Are cost effective to administer via water, feed, aerosol, egg, or injection
- Are cost effective to manufacture in huge quantities, especially without contaminants
- Deliver only key genetic information (not the whole infectious organism)
- Can deliver multiple genes
- Do not cause disease
- Do not create meat residues and are safe for human consumption
- Do not genetically modify the host animal

Avian influenza disease targets

Avian Influenza is a respiratory disease of poultry with outbreaks throughout many parts of the world. Imugene has a longstanding avian influenza vaccine development program. In the US we have completed successful testing of our vaccine against the highly pathogenic H5N1 avian influenza. We have also completed the laboratory construction of additional vaccines for two other prevalent strains (H7 and H9) of the disease. While avian influenza vaccination is routine in many countries, new strains of the disease create a demand for additional vaccines.

Strengthening our portfolio of patents

Imugene continues to focus on the expansion and protection of its intellectual property (IP) portfolio. This incorporates both the extension of patents to include developments in our product range, as well the jurisdictions in which they are covered. By doing so, we expand the possible applications for our technology.

In late 2008, two important patent applications were lodged, one for a pig vaccine and one for a poultry vaccine. Consistent with our international approach to our IP, these patents were first lodged in the US and will be extended to other territories. The content of these two patents is confidential, however both vaccines target major diseases and the patent applications extend well beyond our adenoviral delivery technology.



Patent Report

Poultry Adenovirus Patents (FAV) (19821 Family)

Country/Jurisdiction	Patent/ Application No.	Status
United States	6296852	Granted
Australia	676042	Granted
New Zealand	263772	Granted
Europe	690912	Granted; Validated in Germany, Great Britain, France, Italy, Belgium, The Netherlands
Japan	6522542	Granted
Europe	5076351.5	Pending

Pig Adenovirus Patents (PAV) (19814 Family)

Country/Jurisdiction	Patent/Application No.	Status
United States	7323177	Granted
United States	7473428	Granted
United States	12/197056	Pending
United States	6492343	Granted Reissue filed (11/518,612) and Notice of Allowance received
New Zealand	503039	Granted
Europe	1007088	Granted; Validated in Austria, Belgium, Switzerland, Cyprus, Germany, Denmark, Spain, Finland, France, Great Britain, Greece, Ireland, Italy, Luxembourg, Monaco, The Netherlands, Portugal and Sweden
Japan	2000-509443	Pending
Vietnam	4355	Granted
Brazil	98111841	Pending
China	10366292	Granted
Hong Kong	1032755	Granted
Indonesia	0014936	Granted
Korea	746524	Granted
Mexico	2000-001562	Pending
United States	11/518,612	Pending
Australia	0757683	Granted
Europe	07005454.9	Pending

Patent Report

Methods and Compositions for Increasing Tissue Tropism of Recombinant Vectors (19822 Family)

Country/Jurisdiction	Patent/Application No.	Status
Argentina	070103361	Pending
PCT	PCT/IB07/002710	Pending
Taiwan	096127865	Pending
Australia	2007278887	Pending
Brazil	N/A	Pending
Canada	2,658,805	Pending
China	200780026689.3	Pending
Europe	07804942.6	Pending
Japan	2009-521375	Pending
Korea	10-2009-7003405	Pending
Mexico	MX/a/2009/000898	Pending
United States	12/373,772	Pending

Novel Avian Cytokines and Genetic Sequences Encoding Same ('Chicken Gamma Interferon') (derived from PCT/AU96/00114)

Country/Jurisdiction	Patent/Application No.	Status
United States	6642032 / 6083724	Granted
Australia	689028	Granted
New Zealand	302188	Granted
Europe	96903831.4	Under prosecution (Office action filed)
Canada	2214453	Under prosecution (Office action filed)
Mexico	976735	Granted

PCV 2-Based Methods and Compositions for the Treatment of Pigs

Country/Jurisdiction	Patent/Application No.	Status
United States (provisional; due for PCT filing in 12/09)	61/122,555	Pending

Methods and Compositions for Use of a Coccidiosis Vaccine

Country/Jurisdiction	Patent/Application No.	Status
United States (provisional; due for PCT filing in 12/09)	61/122,596	Pending

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

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 2009 ("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
- Dr Warwick Lamb
- Mr Roger Steinepreis

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

Current directors

Mr Graham Dowland – 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 (appointed 22 February 2005) and Chairman of Eureka Energy Limited (appointed 15 June 2006).

Former Directorships of Australian Listed Public Companies in the last 3 years

Mr Dowland previously held the position of Chairman of Mint Wireless Ltd between October 2006 and January 2008.

Special responsibilities

- Chair of the Board
- Chair of the Nomination Committee

Dr Warwick Lamb – Managing Director

Qualifications – BVSc, M Vet Clin Stud, FACVSc

Dr Lamb is a specialist veterinarian with broad experience within the profession and animal health industry. He has worked in private general practice, private specialist practice and University practice both in Australia and the USA. Prior to forming Imugene with Mr Graham Dowland in mid 2002, Dr Lamb founded one of Australia's first stand-alone specialist and emergency veterinary practices in Australia. He has had extensive interactions with major global animal health companies throughout his career.

Since the formation of Imugene, Dr Lamb has overseen the selection and development of Imugene's animal health technologies, managed and expanded the intellectual property portfolio and overseen the design and execution of a comprehensive animal trial program in Australia and the US. Most importantly Dr Lamb has formulated and executed a commercial strategy culminating in the comprehensive Strategic Alliance with Merial, one of the top three animal health companies in the world owned by sanofi-aventis.

Other Current Directorships of Australian Listed Public Companies

None.

Former Directorships of Australian Listed Public Companies in the last 3 years

None.

Special responsibilities

- Managing Director
- Chair of Remuneration Committee

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 over 20 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.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

Other Current Directorships of Australian Listed Public Companies

Mr Steinepreis is a director of:

- Comtel Corporation Ltd (appointed March 2006)
- Avonlea Minerals Ltd (appointed May 2007)
- Adavale Resources Ltd (appointed May 2007)

Special responsibilities

- Lead non-executive director of the Company.
- Chair of the Audit Committee

Ms Julie Foster – Company Secretary

Qualifications – BA(Hons), ACA (ICAEW)

Appointed 29 May 2008

Ms Foster has a degree in Accounting and Finance and is a Chartered Accountant (UK). She is also currently Company Secretary for ASX Listed Eureka Energy Limited. Ms Foster previously worked for Chartered Accounting firms in both the UK and Perth.

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.

Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2009 (2008 : nil).

Summary review of operations

For the financial year ending 30 June 2009 the Group recorded a net profit after tax of \$650,286 (2008: net loss (\$1,910,925)) and a net cash inflow from operations of \$881,768 (2008: net cash outflow of (\$1,272,900)).

In the first quarter of the financial year, Imugene successfully completed pig trials in the US testing the 'optimised' PRRS vaccine. The results showed that the new modified PRRS vaccine provided a very high degree of protection against the PRRS disease when two doses were administered in pigs either orally or by injection.

The results of these trials enabled detailed discussions and negotiations with major international animal health companies.

Negotiations concluded on 30 December 2008, when Imugene entered into a comprehensive and binding Strategic Alliance Agreement with one of the world's largest

animal health companies, Merial Limited. Under the alliance Merial has agreed to pay a range of scheduled payments and royalties on future sales, to maintain exclusive use of Imugene's intellectual property and technology. Merial is able to progress selected Imugene vaccine candidates through the product development process to global sales under individual product sublicenses. For these products, Merial will fund all product development, regulatory and trial costs.

Imugene has received initial payments from Merial totalling US\$2m (AU\$2.9m) for research costs and sublicensing fees for the PRRS vaccine. Further research and minimum milestone payments continue for up to a total of seven years which allows Merial to assess and commercialise any vaccine candidates developed using the Imugene technology.

Merial have the exclusive right to take out a sub-license on any part of the Imugene intellectual property that forms all or part of a vaccine product for commercialisation. Merial will pay sublicense fees (in addition to the above research fees) for each vaccine product, and milestone payments upon first registration for sale of each product. Imugene will generate further income through royalties on sales of any vaccine product sold by Merial that utilises any part of the Imugene technology. The alliance contains minimum royalty payments.

During the second half of the financial year, the Group has focussed on technology transfer with Merial and laboratory development and testing of additional vaccines to supply to Merial. These additional vaccines included several swine flu vaccine candidates.

Consolidated results

	2009 \$	2008 \$
Consolidated profit/ (loss) before income tax benefit	252,500	(2,149,664)
Income tax benefit	397,786	238,739
Net profit/ (loss)	650,286	(1,910,925)

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year and to the date of this report.

The Strategic Alliance agreed with Merial on 30 December 2008 represented a significant change in the affairs of the Consolidated Entity. As detailed elsewhere in this report, Merial has been granted exclusive rights to the Group's intellectual property portfolio to develop vaccines for international sale. Merial will pay development costs and has agreed to pay the Group research and other fees over a period of seven years. In addition, milestone fees based on product registration and royalties based on sales will also be payable to the Group by Merial with such fees payable for longer periods related to patent life or a minimum period from the date of first sale of each vaccine product.

Post balance date events

As at the date of this report there are no matters or circumstances, which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

- (a) the Consolidated Entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Consolidated Entity's state of affairs in future financial years.

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.

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.

Greenhouse gas and energy data reporting requirements

The Consolidated Entity has reviewed its obligations under the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* and does not consider that it has any reporting requirements under these Acts.

Information on directors' interests in securities of Imugene

	Interest in Securities at the date of this Directors' Report	
	Fully Paid Ordinary Shares	Executive Performance Options
Graham Dowland	7,667,576	500,000
Warwick Lamb	8,670,002	2,500,000
Roger Steinepreis	–	–

There were no shares or options granted to directors during the year as remuneration.

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2009, and the number of meetings attended by each director (includes matters decided by circulating resolution).

	No. Eligible to Attend	No. Attended
Full Board meetings		
Graham Dowland	8	8
Warwick Lamb	8	8
Roger Steinepreis	8	8
Audit Committee meetings		
Graham Dowland	2	2
Warwick Lamb	2	2
Roger Steinepreis	2	2
Remuneration Committee meetings		
Graham Dowland	2	2
Warwick Lamb	2	2
Roger Steinepreis	2	2

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

Share Options

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

Description	2009 Number	Exercise Price	Expiry
Unlisted performance options	4,350,000	\$ 0.25	31 Dec 09
Unlisted advisor incentive options	3,000,000	\$ 0.20	31 Mar 11
Total	7,350,000		

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:

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

This remuneration report outlines the director and executive remuneration arrangements of the Company and Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company, and includes the executives in the Company and the Group receiving the highest remuneration.

The information provided in this remuneration report has been audited as required by section 308(3c) of the *Corporations Act 2001*.

Details of key management personnel

(i) Directors

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

(ii) Other key management personnel of the Group

Dr Michael Sheppard	Chief Scientific Officer
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(iii) Details of executives

Ms Julie Foster	Company Secretary
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The directors and other key management personnel represent the highest paid executives of the Group.

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.

A. Principles used to determine the nature and amount of remuneration

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 Board, acting in its capacity as remuneration committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix 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 the 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. Non-executive directors do not receive share options.

Non-executive directors' fees and payments are reviewed annually by the Board.

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).

Executive pay

Executive pay and reward consists of base pay, short-term performance incentives, long-term performance incentives and other remuneration such as superannuation.

Base pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisky) 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

Contractual agreements with directors and other key management personnel provide for the provision of performance-related cash bonuses to be determined by the remuneration committee.

The contractual agreement with Dr Michael Sheppard includes a specific provision for the payment of an incentive bonus linked to the achievement of development and commercialisation milestones 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.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

For the year ended 30 June 2009, the short-term incentives paid or payable to key management personnel of the Company/ Group totalled \$282,500 as follows:

2009	Grant date	Performance related cash bonus			Paid	Forfeited
		Contractual performance bonus \$	Discretionary performance bonus \$	Total \$		
Executive Directors						
Graham Dowland	Feb 09	–	87,500	87,500	100%	–
Warwick Lamb	Feb 09	–	125,000	125,000	100%	–
Other key management personnel						
Michael Sheppard	Feb 09	20,000	50,000	70,000	100%	–
2008						
Executive Directors						
Graham Dowland		–	–	–	–	–
Warwick Lamb		–	–	–	–	–
Other key management personnel						
Michael Sheppard	Nov 06	20,000	–	20,000	–	–

Discretionary bonuses paid during the financial year ended 30 June 2009 were specifically related to the successful execution of and value attributed to the Strategic Alliance Agreement entered into with Merial Limited. The achievement of this significant milestone was considered to be directly linked to an increase in the value of the Group's portfolio of assets.

The bonuses paid took into account the significant effort that the small and dedicated management team have applied in the development of the Group's intellectual property assets over the past five years. In particular, the implementation and execution of the Group's commercialisation strategy which commenced in late 2005 has directly resulted in the securing of the Strategic Alliance. During this period base pay for all directors has not been increased and no bonuses have been paid.

No other key management personnel or executives were entitled to bonuses during the year.

Long-term incentives

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.

The grant of share options is not directly linked to previously determined performance milestones or hurdles as the current stage of the Group's activities makes it difficult to determine effective and appropriate key performance indicators and milestones.

There is currently no board policy in relation to the person granted the option limiting his or her exposure to risk in relation to the securities. The remuneration committee intends to review whether such a policy would be likely to be of benefit during the coming financial year.

Vesting conditions for options granted during the year are linked to periods of service.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel of Imugene Limited and the Group are set out in the following tables.

Julie Foster is not key management personnel of the Group but is a Company executive.

	Short-term benefits			Post-employment benefits		Share-based payment	
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits* \$	Super-annuation \$	Retirement benefits \$	Options \$	Total \$
2009							
Non-executive directors							
Roger Steinepreis	39,600	–	–	–	–	–	39,600
Sub-Total non-executive directors	39,600	–	–	–	–	–	39,600
Executive directors							
Graham Dowland	174,996	87,500	–	–	–	–	262,496
Warwick Lamb	197,873	125,000	41,986	20,642	–	–	385,501
Other key management personnel							
Michael Sheppard	160,550	65,872	–	18,578	–	–	245,000
Executives – Company Secretary							
Julie Foster	–	–	–	–	–	–	–
Totals	573,019	278,372	41,986	39,220	–	–	932,597
2008							
Non-executive directors							
Roger Steinepreis	25,000	–	–	–	–	–	25,000
Sub-Total non-executive directors	25,000	–	–	–	–	–	25,000
Executive directors							
Graham Dowland	174,996	–	–	–	–	23,703	198,699
Warwick Lamb	180,762	–	37,425	20,642	–	118,515	357,344
Other key management personnel							
Michael Sheppard	160,550	20,000	–	14,450	–	11,540	206,540
Executives – Company Secretary							
Alex Neuling (01/07/07 to 29/05/08)	–	–	–	–	–	–	–
Julie Foster (Appointed 29/05/08)	–	–	–	–	–	–	–
Totals	541,308	20,000	37,425	35,092	–	153,758	787,583

* relates to salary sacrificed novated car lease payments.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

The relevant proportions of remuneration that are linked to performance and those that are fixed are as follows.

	Fixed remuneration		At risk – STI		At risk – LTI	
	2009	2008	2009	2008	2009	2008
Directors of Imugene Limited						
Graham Dowland	67%	88%	33%	–	–	12%
Warwick Lamb	68%	67%	32%	–	–	33%
Other key management personnel of the Group						
Michael Sheppard	71%	85%	29%	10%	–	5%

C. Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of agreement for the 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, if any, 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, 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 2009 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 2008 of \$175,000.
- Payment of three potential incentive bonuses for the successful achievement of three development and commercialisation milestones
- 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.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

D. Share-based compensation

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	% Vested
18 Jan 2007	18 Jan 2007	31 Dec 2009	\$0.25	\$0.16	100%
18 Jan 2007	18 Jan 2008	31 Dec 2009	\$0.25	\$0.17	100%

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.

	No. of options granted during the year		No. of options vested during the year	
	2009	2008	2009	2008
Directors of Imugene Limited				
Graham Dowland	–	–	–	250,000
Warwick Lamb	–	–	–	1,250,000
Other key management personnel of the Group				
Michael Sheppard	–	–	–	150,000

The fair value of each option is estimated on the date of grant using the Black–Scholes Option Valuation Model.

No options were granted to key management personnel during the year ended 30 June 2009.

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 (2008: nil).

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

E. Additional Information

Share-based compensation: Options

Additional information required by section 300A(1) of the *Corporations Act 2001* in relation to share-based compensation is set below.

Name	A Remuneration consisting of options %	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
Directors of Imugene Limited				
Graham Dowland	—	—	—	—
Warwick Lamb	—	—	—	—
Roger Steinepreis	—	—	—	—
Other key management personnel of the Group				
Michael Sheppard	—	—	—	—

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 because a vesting condition was not satisfied.

Details of remuneration: Cash bonuses and options

All bonuses were paid during the year. No cash bonuses were forfeited during the year by directors or key management personnel.

All options granted to directors or key management personnel have vested. No options were exercised or forfeited during the year.

Relationship between the remuneration policy and Company performance

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.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

E. Additional Information (continued)

The tables below set out summary information about the Consolidated Entity's earnings and movement in shareholder wealth for the five years to June 2009:

	\$ 30 June 2009	\$ 30 June 2008	\$ 30 June 2007	\$ 30 June 2006	\$ 30 June 2005
Revenue	3,024,028	92,214	165,534	63,251	389,501
Net profit/(loss) before tax	252,500	(2,149,664)	(2,561,309)	(2,439,279)	(2,116,968)
Net profit/(loss) after tax	650,286	(1,910,925)	(2,304,263)	(2,187,219)	(1,794,208)
Share price at start of year	\$0.07	\$ 0.25	\$ 0.10	\$ 0.13	\$ 0.21
Share price at end of year	\$0.07	\$ 0.07	\$ 0.25	\$ 0.10	\$ 0.13
Basic earnings/(loss) per share	0.5	(1.4)	(1.8)	(1.7)	(1.5)
Diluted earnings/(loss) per share	0.4	(1.4)	(1.8)	(1.7)	(1.5)

No dividends have been paid for the five years to 30 June 2009.

- End of audited Remuneration 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 auditor has complied with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Insurance and Indemnity 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 Ms Julie Foster 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.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 20 of the Annual Report.

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.



GRAHAM DOWLAND
Executive Chairman
Perth, Western Australia

27 August 2009

Auditor's Independence Declaration



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www.bdo.com.au

ABN 79 112 284 787

27th August 2009

The Directors
Imugene Limited
Level 20, Allendale Square
77 St Georges 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 year ended 30 June 2009, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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

Peter Toll
Director

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

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.

Independent Audit Report to Members



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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 2009, and the income statement, statement of changes in equity and cash flow statement 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 disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

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 controls 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 1, 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 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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Independent Audit Report to Members



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 2009 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 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraphs A to E of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Imugene Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Peter Toll', with the words 'BDO Kendalls' written above it in a smaller, cursive script.

Peter Toll
Director

Perth, Western Australia
Dated this 27th day of August 2009

Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue from continuing operations	(5)	3,024,028	92,214	42,097	825,975
Other income	(6)	224,410	315,630	224,410	315,630
Total income		3,248,438	407,844	266,507	1,141,605
Research and development		(1,047,477)	(1,132,644)	(1,226,512)	(1,350,341)
Business development		(240,546)	(191,582)	(240,546)	(191,582)
Commercialisation expenses		(841,872)	(570,932)	(449,225)	(226,878)
Corporate and administration costs		(866,043)	(662,350)	(773,390)	(644,331)
Impairment write back/(writedown) of investment in controlled entities		–	–	2,675,666	(878,137)
Profit/(loss) before income tax benefit		252,500	(2,149,664)	252,500	(2,149,664)
Income tax benefit	(8)	397,786	238,739	397,786	238,739
Net profit/(loss) attributable to members of the Company		650,286	(1,910,925)	650,286	(1,910,925)
Earnings/(loss) per share					
Basic earnings/(loss) per share (cents per share)	(25)	0.5	(1.4)		
Diluted earnings/(loss) per share (cents per share)	(25)	0.4	(1.4)		

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

Balance Sheet

AS AT 30 JUNE 2009

		Consolidated Entity		Parent Entity	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
Current assets					
Cash and cash equivalents	(9)	2,487,316	1,619,678	862,272	1,482,886
Trade and other receivables	(10)	40,873	60,771	33,629	54,635
Tax assets	(11)	290,000	189,869	290,000	189,869
Total current assets		2,818,188	1,870,318	1,185,901	1,727,390
Non-current assets					
Receivables	(12)	–	–	1,852,620	3,391,834
Other financial assets	(13)	–	–	2,985,998	310,332
Property, plant and equipment	(14)	2,853	9,944	2,853	9,944
Intangible assets	(15)	2,942,025	3,283,165	–	–
Total non-current assets		2,944,878	3,293,109	4,841,472	3,712,110
Total assets		5,763,066	5,163,427	6,027,373	5,439,500
Current liabilities					
Trade and other payables	(16)	317,833	400,940	582,139	677,013
Provisions	(17)	118,885	92,425	118,885	92,425
Total liabilities		436,718	493,365	701,025	769,438
Net assets		5,326,348	4,670,062	5,326,348	4,670,062
Equity					
Contributed equity	(18)	14,907,453	14,907,453	14,907,453	14,907,453
Reserves	(19)	966,003	960,003	966,003	960,003
Accumulated losses	(19)	(10,547,108)	(11,197,394)	(10,547,108)	(11,197,394)
Total equity		5,326,348	4,670,062	5,326,348	4,670,062

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

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated Entity		Parent Entity	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
Cash flows from operating activities					
Receipts from customers		2,940,164	25,488	–	500
Payments to suppliers and employees		(2,598,356)	(2,111,826)	(1,202,671)	(1,986,137)
Income tax repayments received		297,655	574,331	297,655	574,331
Other income		242,305	239,107	242,305	239,107
Net cash inflow/(outflow) from operating activities	(24)	881,768	(1,272,900)	(662,711)	(1,172,199)
Cash flows from investing activities					
Payments for property, plant and equipment		–	(2,499)	–	(2,499)
Interest received		76,608	68,440	42,097	61,555
Net cash inflow from investing activities		76,608	65,941	42,097	59,056
Cash flows from financing activities					
Proceeds from issue of shares		–	1,828,072	–	1,828,072
Issue costs		–	(100,661)	–	(100,661)
Net cash inflow from financing activities		–	1,727,411	–	1,727,411
Net increase/(decrease) in cash and cash equivalents					
		958,376	520,452	(620,614)	614,268
Cash and cash equivalents at the beginning of the year		1,619,678	1,099,226	1,482,886	868,618
Effects of exchange rate changes on cash and cash equivalents		(90,738)	–	–	–
Cash and cash equivalents at the end of the year	(9)	2,487,316	1,619,678	862,272	1,482,886

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated Entity		Parent Entity	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
Share Capital					
At the beginning of the year		14,907,453	13,180,042	14,907,453	13,180,042
Issue of shares during the year	(18)	—	1,828,072	—	1,828,072
Costs of issue	(18)	—	(100,661)	—	(100,661)
At the end of the year	(18)	14,907,453	14,907,453	14,907,453	14,907,453
Share Based Payment Reserve					
At the beginning of the year		960,003	806,245	960,003	806,245
Option expense	(19)	6,000	153,758	6,000	153,758
At the end of the year	(19)	966,003	960,003	966,003	960,003
Accumulated losses					
At the beginning of the year		(11,197,394)	(9,286,469)	(11,197,394)	(9,286,469)
Profit/(loss) for the year	(19)	650,286	(1,910,925)	650,286	(1,910,925)
At the end of the year	(19)	(10,547,108)	(11,197,394)	(10,547,108)	(11,197,394)
Total Equity					
At the beginning of the year		4,670,062	4,699,818	4,670,062	4,699,818
At the end of the year		5,326,348	4,670,062	5,326,348	4,670,062
Net income recognised directly in equity					
Profit/(loss) for the year		650,286	(1,910,925)	650,286	(1,910,925)
Total recognised income and expense for the year		650,286	(1,910,925)	650,286	(1,910,925)

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

Notes to the Financial Statements

1. Corporate information

Imugene Limited ("Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The financial report includes separate financial statements for Imugene as an individual entity and the consolidated entity consisting of 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.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial report has also been prepared on a historical cost basis.

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Imugene Limited complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 2009.

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 impact on the accounting policies of the Group other than as follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost

of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined at this time.

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. No material measurement or recognition impact on the Group is envisaged.
- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. The impact of this standard is not expected to identify any further potential segments.

b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Limited as at 30 June 2009 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Imugene Limited.

Notes to the Financial Statements

c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments.

d) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Imugene's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities at the 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.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

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 accruals basis in accordance with the substance of the relevant agreement.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

Imugene Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Imugene Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities 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.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is recognised immediately in profit or loss.

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 immediately in profit or loss.

i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

j) Financial assets

Investments in subsidiaries are measured at cost.

Other financial assets only consist of 'loans and receivables'. The classification of financial assets depends on the nature and purpose for which the financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Notes to the Financial Statements

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are subsequently recorded at amortised cost, using the effective interest method, less impairment.

Impairment

The Consolidated Entity assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Consolidated Entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

k) Property, plant and equipment

Plant and equipment and fixtures and fittings are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 calculated on a straight line basis so as to write off the cost of each asset, net of residual values over their estimated useful lives, as follows:

Fixtures and fittings	5 years
Plant and equipment	5 – 15 years

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

l) Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences previously recognised as an asset upon the acquisition of Vectogen Pty Limited have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. 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.

Subsequent expenditure on patents is recognised as an expense in the period in which it is incurred.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

o) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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.

p) Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised as an expense as they become payable.

q) Share-based payments

Share-based compensation benefits are provided to employees where the Board considers that this provides a cost-effective and efficient means of remunerating and incentivising employees.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes Option Pricing Model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number

of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

t) Goods and services tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense; or
- ii. for receivables and payables which are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the balance sheet. 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 are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Financial Statements

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

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 provides written principles for overall risk management which 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.

A written policy has been adopted for overall risk management.

The Group and the Parent Entity hold the following financial instruments:

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial assets	2,487,316	1,619,678	862,272	1,482,886
Cash and cash equivalents	40,873	60,771	33,629	54,635
Loans and receivables	2,528,188	1,680,449	895,901	1,537,521
Financial liabilities				
Amortised cost	302,499	400,940	582,139	677,013

a) Market risk

(i) Foreign exchange risk

Imugene Limited is based in Australia, its shares are listed on the Australian Securities Exchange and the Group 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.

The Parent Entity's financial assets and liabilities are all denominated in Australian dollars. The carrying amounts of the Group's financial assets and liabilities are denominated in Australian dollars except as set out below:

	Consolidated Entity		Parent Entity	
	2009 USD \$	2008 USD \$	2009 USD \$	2008 USD \$
Financial assets				
Cash and cash equivalents	486,750	12,789	–	–

Notes to the Financial Statements

3. Financial risk management (continued)

Group sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the US dollar with all the other variables held constant, the Group's profit for the year would have been \$60,500 lower/higher (2008 – \$1,300 lower/higher) mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. The results are more sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than 2008 because of the increased amount of US dollar denominated cash and cash equivalents. A 10% movement represents management's assessment of the reasonably possible change in Australian dollar/US dollar exchange rates. The Group's exposure to other foreign exchange movements is not material.

Parent Entity sensitivity

The Parent Entity's exposure to foreign exchange movements is not material.

(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 Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Financial assets				
Cash and cash equivalents Floating rate*	2,487,316	1,619,678	862,272	1,482,886

* Weighted average effective interest rate 2.55% (2008: 6.1%)

Group sensitivity

At 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, the profit for the year would have been \$25,000 lower/ higher (2008 – change of 80 basis points: \$13,000 lower/ higher), mainly as a result of lower/ higher interest income from cash and cash equivalents.

Parent Entity sensitivity

At 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, the profit for the year would have been \$9,000 lower/higher (2008 – change of 80 basis points: \$10,000 lower/ higher), mainly as a result of lower/ higher interest income from cash and cash equivalents.

The 100 basis points movement represents management's assessment of the reasonably possible change in interest rates.

(iii) Commodity price risk

The Group is not exposed to commodity price risk.

b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group trades only with recognised, trustworthy third parties. 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. These include taking into account the customers financial position and any past experience to set individual risk limits as determined by the Board.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

Notes to the Financial Statements

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Cash at bank and short-term bank deposits

AA Rated	2,487,316	1,619,678	862,272	1,482,886
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There are no allowances for credit losses and no collateral is held for security for trade and other receivables (Parent Entity and Group). No trade or other receivables are past due or have been renegotiated.

c) Liquidity risk

Prudent liquidity risk management involves the maintenance of sufficient cash 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. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

Maturities of financial liabilities

Group – As at the reporting date the Group have total financial liabilities of \$317,833 (2008: \$400,940), comprised of non interest-bearing trade creditors and accruals with a maturity of 1 – 3 months.

Parent Entity – As at the reporting date the Parent Entity had total financial liabilities of \$582,139 (2008: \$677,013), comprised of non interest-bearing trade creditors and accruals with maturity of 1 – 3 months.

d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and/or disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent Entity.

None of the Group's entities are subject to externally imposed capital requirements.

Notes to the Financial Statements

4. Critical accounting estimates and 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:

Strategic Alliance Agreement

During the year the Group entered into a strategic alliance which entitles the Company to receive funding at scheduled dates, milestone fees subject to the satisfaction of specified targets and royalties in the future based on sales.

The alliance is expected to generate sufficient cash flows such that the directors are of the opinion that the previously recognised impairment relating to the investment in the subsidiary should be reversed to the extent that it represents the net cash flows received to date as a result of the strategic alliance.

However, due to the early stage of the ongoing research collaborations and estimates of the commercial viability of the technologies the directors are still assessing the probability of the future cash flows arising from the agreement, therefore no further impairment reversal or deferred tax asset has been recognised relating to the future potential cash flows from this agreement.

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:

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 and royalty income, market penetration, milestone achievement dates and production profiles.

As at 30 June 2009, the carrying value of patents, licences and other rights is \$2,942,025 (2008: \$3,283,165).

5. Revenue

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Sales revenue				
Management fees	–	–	–	765,647
	–	–	–	765,647
Other revenue				
Sub-license/contract research fees	2,947,420	25,000	–	–
Interest	76,608	67,214	42,097	60,328
	3,024,028	92,214	42,097	60,328
Total revenue	3,024,028	92,214	42,097	825,975

Notes to the Financial Statements

6. Other income

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Government grants	223,530	315,130	223,530	315,130
Other	880	500	880	500
	224,410	315,630	224,410	315,630

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

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 avian influenza. The total grant amount was expected to be approximately \$880,000 on a matched funding basis. Originally the payments were to be drawn over two years in line with the Company's actual and forecast spending on the project. During the year ended 30 June 2008, the Company was granted a variation to extend the project period by a further six months to a total of two years and six months. The project period ended on 31 March 2009. The total amount receivable under the grant was \$818,046. As at balance sheet date, an amount of \$30,755 (2008: \$45,680) has been classified as accrued income in relation to the final outstanding receipt under the grant (refer to note 10).

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 Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Depreciation of non-current assets				
Tangible fixed assets	2,035	2,706	2,035	2,706
Research and development				
Employee benefits	580,996	526,288	580,996	526,288
Business development				
Employee benefits	240,546	191,582	240,546	191,582
Commercialisation expenses				
Patent expenses	197,793	38,210	175,734	35,296
Employee benefits	240,546	191,582	250,546	191,582
Amortisation of intangibles	341,140	341,140	–	–
	779,479	570,932	426,280	226,878
Impairment writedown				
Investments in wholly-owned subsidiaries	–	–	2,675,666	(878,137)

Notes to the Financial Statements

8. Income tax

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Current tax	290,000	189,869	290,000	189,869
Under provision recognised in prior years	107,786	48,870	107,786	48,870
	397,786	238,739	397,786	238,739

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 profit/(loss) before tax from continuing operations	252,500	(2,149,664)	252,500	(2,149,664)
Tax at the Australian statutory income tax rate of 30% (2008: 30%)	75,750	(644,899)	75,750	(644,899)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income				
Research & development expenses (claimed under Tax Concession)	256,367	187,148	256,367	187,148
Share-based payment expense	1,800	46,127	1,800	46,127
Tax effect of temporary timing differences in relation to unrecognised deferred tax assets: (i)				
Impairment (writeback)/writedown	–	–	(802,700)	263,441
Patent costs	59,338	11,463	52,720	10,589
Sundry other	(32,780)	(65,574)	3,725	(54,605)
	360,475	(465,735)	(412,338)	(192,199)
Less tax losses utilised in year	(360,475)	–	–	–
Less tax losses not recognised	–	465,735	412,338	192,199
	–	–	–	–
Research & Development Tax Concession				
Current Year	290,000	189,869	290,000	189,869
Under provision recognised in prior year	107,786	48,870	107,786	48,870
Income tax benefit	397,786	238,739	397,786	238,739

(i) Deferred tax assets not recognised

Arising from temporary differences attributable to:

Carried forward tax losses	1,864,046	2,224,522	1,864,046	2,224,522
Intangible assets	115,388	68,921	–	–
Share issue expenses	26,323	53,391	26,323	53,391
Employee benefits	35,666	27,728	35,666	27,728
Impairment writedown	–	–	1,112,225	1,914,925
Other	20,738	16,680	20,738	16,680
Deferred tax asset not yet brought to account	2,062,161	2,391,242	3,058,998	4,237,246

Notes to the Financial Statements

9. Current assets – Cash and cash equivalents

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at bank and in hand – AUS dollars	1,882,305	1,606,354	862,272	1,482,886
Cash at bank and in hand – US dollars	605,011	13,324	–	–
	2,487,316	1,619,678	862,272	1,482,886

The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

a) Foreign exchange and interest rate risk exposure

Information about the Group's and the Parent Entity's exposure to foreign exchange risk and interest rate risk in relation to cash and cash equivalents is provided in note 3.

10. Current assets – Trade and other receivables

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Accrued income (refer note 6)	30,755	45,680	30,755	45,680
Goods and services tax recoverable	–	6,136	–	–
Other	10,118	8,955	2,874	8,955
	40,873	60,771	33,629	54,635

a) Fair value

Due to the short-term nature of these receivables, their carrying value approximates fair value.

11. Current assets – Tax assets

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Research and Development Tax Concession receivable	290,000	189,869	290,000	189,869

Notes to the Financial Statements

12. Non-current assets – Receivables

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Receivables from wholly-owned subsidiaries				
At amortised cost	–	–	1,852,620	3,391,834

a) Fair values

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Receivables from wholly-owned subsidiaries	–	–	1,852,620	3,391,834

The loans to subsidiaries are interest free and have no fixed repayment terms. No allowance has been made for doubtful debts.

13. Non-current assets – Other financial assets

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Investments in wholly-owned subsidiaries				
At cost	–	–	6,695,912	6,695,912
Less impairment write-down	–	–	(3,709,914)	(6,385,580)
	–	–	2,985,998	310,332

The impairment write back of \$2,675,666 (2008: write down of \$878,137) relates to the reassessment of the recoverable amount of the Parent Entity's investment in wholly-owned subsidiaries, on a value in use basis, as a result of the positive cash flows generated for the year ended 30 June 2009 from the Strategic Alliance Agreement entered into with Merial Limited by Vectogen Pty Ltd, a controlled entity.

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 2009 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 \$1,852,620 (2008: \$3,391,834).

Notes to the Financial Statements

b) Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	2009 %	2008 %
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 of the wholly-owned Group is Imugene Limited, a company incorporated in Australia.

14. Non-current assets – Property, plant & equipment

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Plant & equipment				
At cost	20,848	32,366	20,848	32,366
Accumulated depreciation	(17,995)	(24,857)	(17,995)	(24,857)
Total plant and equipment (a)	2,853	7,509	2,853	7,509
Fixtures and Fittings				
At cost	–	3,675	–	3,675
Accumulated depreciation	–	(1,240)	–	(1,240)
Total fixtures and fittings (a)	–	2,435	–	2,435
Total net book value	2,853	9,944	2,853	9,944

a) Reconciliations

Plant and Equipment

Carrying amount at beginning of year	7,509	7,518	7,509	7,518
Disposals	(2,621)	–	(2,621)	–
Depreciation expense	(2,035)	(2,508)	(2,035)	(2,508)
Total plant & equipment	2,853	7,509	2,853	7,509

Fixtures and Fittings

Carrying amount at beginning of year	2,435	2,633	2,435	2,633
Additions	–	2,499	–	2,499
Disposals	(2,435)	(198)	(2,435)	(198)
Total fixtures and fittings	–	2,435	–	2,435

Notes to the Financial Statements

15. Non-current assets – Intangible assets

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
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	(1,833,930)	(1,492,790)	-	-
Amortisation charge	(341,140)	(341,140)	-	-
Accumulated amortisation at the end of the year	(2,175,070)	(1,833,930)	-	-
Opening net book amount	3,283,165	3,624,305	-	-
Closing net book amount	2,942,025	3,283,165	-	-

The Group holds a range of intellectual property including patent applications, knowhow and licences to patents and patent applications. The intellectual property portfolio forms biological technologies that are being applied to disease prevention vaccines and biologically based productivity enhancers for the pig and poultry industry. There are no unfulfilled performance conditions in relation to the Group's rights to use any part of the intellectual property portfolio, 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 the intellectual property and the vaccines and vaccine candidates derived from them.

The carrying amount of these patents and licences of \$2,942,025 (2008: \$3,283,165) will be fully amortised in 9 years (2008: 10 years). During the year, Imugene realised the next stage of its commercialisation strategy with the commencement of a Strategic Alliance with Merial Limited, an international animal health company. Merial now has the rights to the Imugene intellectual property portfolio and is entitled to progress vaccines derived from the Imugene technologies through the remaining regulatory, marketing and manufacturing processes for ultimate sale. Pursuant to the terms of the alliance, Merial must pay Imugene scheduled minimum fees and royalties.

16. Current liabilities – Trade and other payables

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade payables	269,140	379,526	269,130	379,516
Other payables	48,693	21,414	313,009	297,497
	317,833	400,940	582,139	677,013

The average credit period on purchases is 45 days from the date of invoice. Group policy is to pay all invoices not in dispute within 30 days from date of invoice.

(a) Fair value

The carrying amount of trade payables is a reasonable approximation of fair value due to their short-term nature.

(b) Foreign exchange risk exposure

Information about the Group's and Parent Entity's exposure to foreign exchange risk is provided in note 3.

Notes to the Financial Statements

17. Current liabilities – Provisions

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Employee benefits – annual leave	118,885	92,425	118,885	92,425
	118,885	92,425	118,885	92,425

a) Amounts not expected to be settled within the next 12 months

The entire obligation for annual leave is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

18. Contributed equity

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$

a) Share capital

Fully paid ordinary shares	143,637,220	143,637,220	14,907,453	14,907,453
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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 2007	130,579,564	13,180,042
Rights issue (i)	23 January 2008	4,212,495	589,749
Placement	31 January 2008	8,845,161	1,238,323
Less: transaction costs arising on issue			(100,661)
Balance	30 June 2008	143,637,220	14,907,453
Closing balance	30 June 2009	143,637,220	14,907,453

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 20.

(i) Rights issue

On 3 December 2007, the Company invited its shareholders to subscribe to a fully underwritten, non-renounceable rights issue on the basis of 1 share for every 10 fully paid ordinary shares held at an issue price of \$0.14 per share.

4,212,495 ordinary shares were taken up in the rights issue raising \$589,749 before costs of issue.

The first \$200,000 (1,428,571 shares) of the shortfall was sub-underwritten by the Directors of Imugene. 7,416,590 shortfall shares were issued to professional and sophisticated investor clients nominated by the underwriter. The total amount raised from the underwritten shares was \$1,238,323 before costs of the issue.

Notes to the Financial Statements

19. Reserves and accumulated losses

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
(a) Share-based payment reserve				
Balance 1 July	960,003	806,245	960,003	806,245
Option expense	6,000	153,758	6,000	153,758
Balance 30 June	966,003	960,003	966,003	960,003
(b) Accumulated losses				
Balance 1 July	(11,197,394)	(9,286,469)	(11,197,394)	(9,286,469)
Net profit/(loss) for the year	650,286	(1,910,925)	650,286	(1,910,925)
Balance 30 June	(10,547,108)	(11,197,394)	(10,547,108)	(11,197,394)

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 and Parent Entity	
	2009 \$	2008 \$
Recognised as part of:		
Research and development	–	81,494
Business development	–	36,132
Commercialisation expenses	–	36,132
Corporate and administration costs	6,000	–
	6,000	153,758

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 was calculated using the Black-Scholes Option Pricing Model. The expense has been apportioned pro-rata to reporting periods where vesting periods apply.

No options were granted during the year ended 30 June 2009.(2008: nil)

Notes to the Financial Statements

20. Options

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

Description	2009 Number	2008 Number	Exercise Price	Expiry
Unlisted performance options				
Type 9	4,350,000	4,350,000	\$ 0.250	31-Dec-09
Type 10	3,000,000	3,000,000	\$ 0.200	31-Mar-11
Total	7,350,000	7,350,000		

The Type 10 options issued during the year ended 30 June 2008 vested on 30 September 2008. There were no specific vesting conditions attached.

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:

Description	2009 Number	2008 Number
At 1 July	7,350,000	9,516,666
Granted during the year		
Type 10	–	3,000,000
Expired during the year		
Listed Options		
Type 1	–	(4,633,333)
Type 6	–	(333,333)
Type 7	–	(200,000)
At 30 June	7,350,000	7,350,000

21. 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) Other than the directors, Dr Michael Sheppard (Chief Scientific Officer) also had authority and responsibility for planning, directing and controlling certain activities of the Group, directly or indirectly during the current and prior financial years.

In addition, the Company Secretary, Julie Foster is deemed a Company executive under section 9 of the *Corporations Act 2001*.

Notes to the Financial Statements

21. Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	893,377	598,733	893,377	598,733
Post-employment benefits	39,220	35,092	39,220	35,092
Share-based payments	–	153,758	–	153,758
	932,597	787,583	932,597	787,583

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 to hold office	Balance at the end of the year	Vested and exercisable	Unvested
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2009

Directors of Imugene Limited

Graham Dowland	500,000	–	–	–	–	500,000	500,000	–
Warwick Lamb	2,500,000	–	–	–	–	2,500,000	2,500,000	–
Roger Steinepreis	–	–	–	–	–	–	–	–

Other key management personnel of the Group

Michael Sheppard	1,250,000	–	–	–	–	1,250,000	1,250,000	–
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2008

Directors of Imugene Limited

Graham Dowland	500,000	–	–	–	–	500,000	500,000	–
Warwick Lamb	2,500,000	–	–	–	–	2,500,000	2,500,000	–
Roger Steinepreis	–	–	–	–	–	–	–	–

Other key management personnel of the Group

Michael Sheppard	1,500,000	–	–	(250,000)	–	1,250,000	1,250,000	–
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Notes to the Financial Statements

(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	Acquired	Other changes	Balance at the end of the year
2009				
Directors of Imugene Limited				
Graham Dowland	7,667,576	-	-	7,667,576
Warwick Lamb	7,670,002	-	-	7,670,002
Roger Steinepreis	4,990,046	-	(3,181,776)	1,808,270
Other key management personnel of the Group				
Michael Sheppard	272,248	-	-	272,248
2008				
Directors of Imugene Limited				
Graham Dowland	6,790,002	877,574	-	7,667,576
Warwick Lamb	6,400,001	1,270,001	-	7,670,002
Roger Steinepreis	4,263,678	726,368	-	4,990,046
Other key management personnel of the Group				
Michael Sheppard	156,589	115,659	-	272,248

(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 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 2009, the Company paid \$31,500 (2008: \$66,000) 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 \$31,500 (2008: \$66,000).

Notes to the Financial Statements

22. 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 Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Deloitte Touche Tohmatsu for:				
– an audit or review of financial reports and other audit work under the <i>Corporations Act 2001</i>	–	53,700	–	35,000
BDO Kendalls Audit & Assurance (WA) Pty Ltd for:	–		–	–
– an audit or review of financial reports and other audit work under the <i>Corporations Act 2001</i>	43,500	–	43,500	–
Unrelated audit firms for audit of regulatory returns	2,400	1,200	2,400	1,200
Total remuneration for audit services	45,900	54,900	45,900	36,200

23. 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.

24. Reconciliation of profit/(loss) after income tax to net cash outflow from operating activities

	Consolidated Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Profit/(loss) for the year	650,286	(1,910,925)	650,286	(1,910,925)
Depreciation and amortisation	343,175	343,846	2,035	2,706
Share based payment (note 19)	6,000	153,758	6,000	153,758
Interest income	(76,608)	(67,214)	(42,097)	(60,328)
Provision for employee benefits	26,460	4,493	26,460	4,493
Impairment (writeback)/writedown on investments owned subsidiaries in wholly-owned subsidiaries	–	–	(2,675,666)	878,137
Loss on disposal of fixed assets	5,056	–	5,056	–
Net foreign exchange differences	90,738	–	–	–
Decrease/(increase) in working capital	(163,339)	203,142	1,365,215	(240,040)
Net cash inflow/ (outflow) from operating activities	881,768	(1,272,900)	(662,711)	(1,172,199)

Notes to the Financial Statements

25. Earnings/(Loss) per share

	Consolidated	
	2009 Cents	2008 Cents
Basic earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	0.5	(1.4)
Diluted earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	0.4	(1.4)
	\$	\$
Profit/(loss) used in calculation of basic/ diluted earnings/(loss) per share		
Profit/(loss)	650,286	(1,910,925)
	Number	Number
Weighted average number of ordinary shares/potential ordinary shares used as the denominator in calculating basic earnings/(loss) per share	143,637,220	136,431,579
Adjustments for calculation of diluted earnings per share:		
Options	7,350,000	–
Weighted average number of ordinary shares/potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	150,987,220	136,431,579

For the year ended 30 June 2009, the options on issue (note 20) represent potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

For the year ended 30 June 2008, the options on issue are not considered 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.

26. Subsequent events

No event has arisen since 30 June 2009 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.

27. Contingencies

The Consolidated Entity has no contingent assets or liabilities at balance date (2008: none).

28. Related party transactions

There have been no transactions with related parties during the year ended 30 June 2009 other than as disclosed elsewhere in the financial report (2008: none).

Directors' Declaration

In the directors' opinion:

- (a) the financial statements, notes and audited remuneration disclosures included in the directors' report of the Company and Consolidated Entity 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 2009 and of their performance, 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.
- (c) the remuneration disclosures set out in the directors' report (as part of the audited remuneration report) for the year ended 30 June 2009 comply with section 300A of the *Corporations Act 2001*.

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

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.



GRAHAM DOWLAND
Chairman

Perth, 27 August 2009

Additional Securities Exchange Information

Corporate Governance Statement

Imugene Limited ACN 009 179 551 (Imugene or Company) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles & Recommendations), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

This Statement sets out the corporate governance practices in place during the course of the financial year and as at the date of this report.

Further information about the Company's corporate governance practices, including relevant information on the Company's charters, code of conduct and other policies and procedures, is set out on the Company's website at www.imugene.com.au.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 1

Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst encompassing the interests of all of its stakeholders.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating and reviewing its strategic direction, appointing and monitoring the performance of Directors, approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures. The Board relies on Senior Executives to assist it in monitoring the financial performance of the Company, ensuring the integrity of internal controls, management information and risk management systems and monitoring compliance with all of the Company's legal, financial and other reporting obligations.

Delegated responsibilities are reviewed regularly to ensure that they remain appropriate to the needs of the Company.

The Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management. A copy of this Charter is available on the Company's website.

Evaluation of Senior Executive Performance

The Company has established an induction program to assist new senior executives to participate fully and actively in management decision-making at the earliest opportunity. This program enables new executives to meet with the Chair and key executives to discuss the Company's strategy and operational and risk management policies and to gain an understanding of the Company's financial and financial risk position.

The Chair and Chief Executive Officer currently assess the performance of Senior Executives on an informal basis as due to the early stage of development of the Company, it is difficult for qualitative measures of performance to be established across the Company.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 2

Structure the Board to Add Value

Board Composition

The Board is currently comprised of three directors in accordance with the Constitution of the Company. The names of Directors of the Company in office at the date of the annual report are set out in the Directors' Report together with details of the skills, experience and expertise. Each Director has been appointed for an indefinite term.

Additional Securities Exchange Information

The current Board consists of two executive directors, Mr Dowland and Dr Lamb and one independent non-executive director, Mr Steinepreis, as determined by the ASX Corporate Governance Guidelines definition. As a result the Company does not comply with Recommendation 2.1 which states that the majority of the Board should be independent. 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 and stage of development.

The Board meets at regular intervals, currently a minimum of every second month. A meeting agenda is prepared by the Company Secretary and the Executive Chair. All necessary documentation and information is forwarded to directors in advance of the meeting to enable their fully informed participation in the subsequent discussions.

The number of meetings of the Company's full board of directors and the Board in their capacity as the respective committees held during the year and the number of meetings attended by each director is disclosed in the Directors' Report.

Independent Chair

The Company does not comply with Recommendation 2.2 that the Chair should be an independent director as Mr Dowland is an executive of the Company.

Notwithstanding this, the Board considers that Mr Dowland's extensive experience as both a director and Chair of various listed companies make him the most qualified Board member for this role at this stage of the Company's development. In situations that present a possible conflict of interest the Board has appointed Mr Roger Steinepreis, as the lead independent director, to act as Chair.

Roles of Chair and Chief Executive Officer

The role of Chair is currently held by Mr Dowland and the role of Chief Executive Officer by Dr Lamb. As such the Company does comply with Recommendation 2.3.

Nomination Committee

The Company does not comply with Recommendation 2.4 as a separate nomination committee has not been formed. Due to the relatively infrequent level of appointments, the full Board carries out the duties which would otherwise be undertaken by the nomination committee in accordance with the Nomination Committee Charter, a copy of which is available on the Company's website.

Evaluation of Board Performance

The Company has established an induction program to assist new directors to participate fully and actively in management decision-making at the earliest opportunity. This program enables new directors to meet with the Chair and key executives to discuss the Company's strategy and operational and risk management policies and to gain an understanding of the Company's financial and financial risk position.

The Chair is responsible for the informal evaluation of the Board and individual directors when deemed appropriate. The full Board in its capacity of Nomination Committee is responsible for evaluating the Managing Director. There are no formal quantitative measures of performance currently in place due to the early stage of development of the Company.

All Directors have access to the Company Secretary and senior executives.

Independent Professional Advice and Access to Information

The Board acknowledges the need for independent judgement on all Board decisions, irrespective of each individual director's independence.

Each Director has the right of access to all relevant Company information and to the executives of the Company. Each Director has the right to seek independent professional advice at the Company's expense in order to discharge their duties as a director, subject to prior approval of the Chair which shall not be unreasonably withheld.

Additional Securities Exchange Information

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 3

Promote Ethical and Responsible Decision Making

Code of Conduct

Imugene's Directors, executives and employees are required to maintain high ethical standards of conduct. In accordance with Recommendation 3.1, the Board has adopted a Code of Conduct that sets out the principles and standards which the Board, Senior Executives and employees of the Company are encouraged to strive towards when dealing with each other, shareholders, other stakeholders and the broader community. Any breach of compliance with the Code of Conduct reported to the Chair or Managing Director may be subject to disciplinary action, including termination.

The Code of Conduct covers the following areas:

- Integrity;
- Responsibility to Shareholders;
- Respect for the Law;
- Conflicts of Interest;
- Protection of Assets;
- Confidential Information;
- Employment Practices;
- Responsibility to the Community;
- Responsibility to the Individual;
- Obligations Relative to Fair Trading and Dealing;
- Financial and Other Inducements;
- Compliance with the Code of Conduct;
- Periodic Review of the Code.

A copy of the Company's Code of Conduct can be found on the Company's website.

Security Trading Policy

In accordance with Recommendation 3.2, the Board has adopted a policy for trading in Company securities by Directors, officers and employees (including associates of).

The policy prohibits the trading in Company securities whilst in possession of information which is not generally available to the public, which may be relevant to the value of the Company's securities or may influence a person's decision to transact in the Company's securities.

Directors, officers and senior employees must not trade in the Company's securities without first obtaining approval from the Chair. In the case of the Chair, approval must be obtained from the Managing Director.

The Company encourages Directors and officers to defer trades if an announcement of a major event or the release of price-sensitive information is likely to occur after a proposed trade, even if it is outside the black out period.

A copy of the Policy for trading in Company securities is available on the Company's website.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 4

Safeguarding Integrity in Financial Reporting

Audit Committee

The Company does not comply with Recommendations 4.1 and 4.2 as a separate audit committee has not been formed. The full Board carries out the duties that would otherwise be undertaken by the audit committee.

The Board believes that the Company is not of a sufficient size to warrant a separate audit committee. Mr Roger Steinepreis, an independent, non-executive director, has been appointed as Chair of the audit committee which in the opinion of the Board preserves the ability of the committee to exercise independent judgement. Mr Dowland is a qualified accountant and Dr Lamb has extensive experience and expertise in the animal biotechnology industry thus ensuring that the Board, acting in its capacity as audit committee, is able to discharge its responsibilities per the Audit Committee Charter effectively.

Additional Securities Exchange Information

The Board delegates the day to day monitoring of financial controls and financial performance to the Managing Director (Chief Executive Officer equivalent) and the Company Secretary (Chief Financial Officer equivalent). The Company Secretary reports to the Board on the financial performance of the Company on a monthly basis.

The Board, in its capacity of Audit Committee, reviews the performance of the independent external auditors on a bi-annual basis.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 5 AND PRINCIPLE 6

Make Timely and Balanced Disclosure and Respect The Rights of Shareholders

The Company promotes the timely and balanced disclosure of all material matters concerning the Company in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. The Company has adopted written policies to ensure that it complies with its obligations and has appointed the Executive Chair as the Responsible Officer who is responsible for ensuring policies and procedures are complied with.

The Policy provides information as to what a person should do when they become aware of information which could have a material effect on the Company's securities. The Policy also sets out the consequences of non compliance and a person's confidentiality obligations. A copy of the Policy is available on the Company's website.

The Executive Chair also oversees and co-ordinates information disclosed to the ASX, analysts, brokers, shareholders, the media and the public. Updates of information released to the ASX can be found on the Company's website along with information briefings provided to the media and analysts, notices of meetings and explanatory materials and financial information, including annual reports.

All shareholders are able to access an electronic copy of the Company's annual and half-yearly reports. A shareholder may also elect to have a printed copy of the annual report posted to them.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 7

Recognise and Manage Risk

The Company did not have a formal risk management policy in place during the whole of the financial year and therefore did not comply with Recommendation 7.1. Subsequent to the end of the financial year the Company has developed and adopted a Risk Management Policy.

The Executive Chair, Managing Director and Company Secretary, together with senior executives, are responsible for identifying the material business risks faced by the Company and for implementing and maintaining a risk management and internal control system that enables risk to be assessed and managed. The Board recognises that calculated risk taking is an essential part of creating long term shareholder value. The aim of the policy is to ensure that strategic, operational, legal, reputational and financial risks are identified, assessed effectively and efficiently managed and monitored in order to achieve the Company's objectives. The Board retains overall responsibility for reviewing the Risk Management Policy and for ensuring that the risk management and internal control system implemented by management is effective. The Board does not believe that the current size and operations of the Company warrants the need for a separate risk management committee.

Although a formal Risk Management Policy was not in place during the whole of the financial year, the Board considers that all material business risks were adequately managed during that period. Towards the end of the financial year the Company developed a risk register which is subject to periodic review by the Board as well as the Company Secretary and senior executives.

The Risk Management Policy is summarised on the Company's website.

Assurance

In accordance with Recommendation 7.3, the Board has received written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.



Additional Securities Exchange Information

CORPORATE GOVERNANCE PRINCIPLE 8

Remunerate Fairly and Responsibly

The Company does not comply with Recommendation 8.1 as a separate remuneration committee has not been formed. The full Board carries out the duties which would otherwise be undertaken by the remuneration committee in accordance with the Remuneration Committee Charter, a copy of which is available on the Company's website.

The Board considers that no efficiencies or other benefits could be gained by establishing a separate committee. Dr Warwick Lamb has been appointed to act as Chair of the remuneration committee.

Details of the Company's remuneration policies, including the distinction between executive and non-executive directors remuneration, are disclosed in the Remuneration Report contained in the Director's Report. The Company does not have any schemes relating to retirement benefits for non-executive directors.

Additional Securities Exchange Information

Shareholder Information

The shareholder information set out below was applicable as at 30 September 2009.

1. Twenty largest shareholders

Ordinary Shares	Number	Percentage
Dr Warwick Lamb	8,395,002	5.84%
W B Nominees Ltd <N095103 A/C>	6,058,000	4.22%
Mrs Treffina Dowland	4,913,002	3.42%
Wainford Holdings Ltd	4,835,207	3.37%
Yambali Pty Ltd <Laurie Zeaiter A/C>	3,950,000	2.75%
Lujeta Pty Ltd <The Margaret Account>	3,120,000	2.17%
Mcrae Investments Pty Ltd	2,718,833	1.89%
Techstart Australia Pty Ltd	2,387,738	1.66%
Greenfield Company Ltd	2,358,831	1.64%
Mr Henry Wiechecki	2,000,000	1.39%
Mr Stephen James Moyle & Mrs Christine Maree Moyle <Moyle Family Super Fund A/C>	1,925,000	1.34%
Eurasia Pty Ltd <Mintec Australia Unit A/C>	1,833,334	1.28%
Donwillow Pty Ltd	1,660,000	1.16%
Lost Ark Nominees Pty Ltd <PST Super A/C>	1,500,000	1.04%
Twynam Agricultural Group Pty Ltd	1,400,000	0.97%
Lost Ark Nominees Pty Ltd <PST A/C>	1,398,950	0.97%
Lost Ark Nominees Pty Ltd <MYA Super A/C>	1,300,000	0.91%
Mr William Roy Farnsworth & Ms Kerry Ann Linton	1,200,000	0.84%
Mr Gordon Menzies Wilson	1,194,493	0.83%
HSBC Custody Nominees (Australia) Ltd	1,166,816	0.81%
TOTAL TOP 20	55,315,206	38.51%
Other	88,322,014	61.49%
Total ordinary shares on issue	143,637,220	100%

2. Distribution of equity securities

	Ordinary shares	Unlisted options
1 – 1,000	554	-
1,001 – 5,000	336	-
5,001 – 10,000	366	-
10,001 – 100,000	820	-
100,001 – and over	206	5
	2,282	5

There are 746 holders holding less than a marketable parcel of ordinary shares.

Additional Securities Exchange Information

3. Unquoted securities

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

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

	Number on issue	Number of Holders
Dr Warwick Lamb	2,500,000	1
Dr Michael Sheppard	1,250,000	1
Total holders of more than 20% of class	3,750,000	2
Other	600,000	2
Total performance options on issue	4,350,000	4

Performance options – exercise price of \$0.20 and expiry date of 31 March 2011

	Number on issue	Number of Holders
Lost Ark Nominees Pty Ltd <No 66 A/C>	3,000,000	1
Total performance options on issue	3,000,000	1

4. Substantial holders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial holding notices given to the company:

	Number held	Percentage of issued shares
Dominic Wainford	12,655,207	8.81%
Warwick Lamb	8,670,002	6.04%
Graham Dowland	7,667,576	5.34%

5. Voting rights

See notes 18 and 20 to the Financial Statements.

6. On-market buy back

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

7. Company Secretary, registered and principal administrative office and share registry

See Corporate Directory at the beginning of this annual report.



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