

Rule 4.3A

Appendix 4E

Preliminary final report

Year ended 30 June 2012

Name of entity

IMUGENE LIMITED

ABN

99 009 179 551

Financial year ended ("current year")

30 June 2012

Comparative year ended ("prior year")

30 June 2011

Statement

This report is based on information extracted from the Annual Financial Report of Imugene Limited (Company) and the entities it controlled at the end of, or during the year ended 30 June 20112 (Consolidated Entity or Group).

Results for announcement to the market

	2012 \$'000	2011 \$'000	CHANGE \$'000	% CHANGE
Revenues from ordinary activities	245	2,237	(1,992)	(89%)
Revenue from ordinary activities for the year has decreased due to the Global Agreement with Novartis Animal Health being terminated in September 2011. Prior to receiving notification of termination of the agreement, Imugene earned quarterly research fees of US\$250,000 during the year ended 30 June 2012. During the year ended 30 June 2011, Imugene received payments totalling US\$2.25 million for research fees and sublicensing costs. Refer to the summary review of operations in the directors' report attached for further information.				
Profit / (Loss) from ordinary activities after tax attributable to members.	(3,133)	416	(3,459)	(853%)
Net profit / (loss) for the period attributable to members	(3,133)	416	(3,459)	(853%)
No dividends have been paid during or are proposed in respect of the financial year ended 30 June 2012.				
	2012 ¢	2011 ¢		
Net Tangible Assets per Security	0.73	1.35		

Appendix 4E – Contents and checklist of requirements

For the year ended 30 June 2012

1.	Reporting period and the previous corresponding period.	Refer Page 1 of this Appendix 4E
2.	Results for announcement to the market.	Refer Page 1 of this Appendix 4E
3.	Consolidated statement of comprehensive income with notes to the statement.	Refer Financial Report attached
4.	Statement of financial position with notes to the statement.	Refer Financial Report attached
5.	Consolidated statement of cash flows with notes to the statement.	Refer Financial Report attached
6.	Details of individual and total dividends or distributions and dividend or distribution payments.	No dividends or other distributions have been paid during or are proposed in respect of the financial year ended 30 June 2012.
7.	Details of dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	No dividends or other distributions plans are in operation in respect of the financial year ended 30 June 2012.
8.	Statement of changes in equity	Refer Financial Report attached
9.	Net tangible assets per security.	Refer Page 1 of this Appendix 4E
10.	Details of entities over which control has been gained or lost during the period.	Not applicable
11.	Details of joint venture entities and associated entities.	The Company has no material associated or joint venture entities.
12.	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position	Refer Page 3 of this Appendix 4E
13.	Accounting standards used in compiling reports by foreign entities (e.g. International Accounting Standards).	Not applicable.
14.	A commentary on the results for the period.	Refer Page 3 of this Appendix 4E and the Directors' Report in the attached Financial Report.
15.	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	Refer Page 1 of this Appendix 4E. This report is based on accounts which have been audited.
16.	If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.	Not applicable.
17.	If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification	Not applicable.

Commentary on results

For the year ended 30 June 2012

Significant Features of Operating Performance

The Group took a prudent approach to all expenditure, including research and development, commercialisation expenses and overhead expenses. The laboratory development work has been completed and the laboratory facility at La Trobe University in Melbourne was closed down at the end of October 2011

During the year ended 30 June 2012 Imugene incurred an unrealised foreign exchange gain of \$68,049 (2011: loss of \$132,520) in relation to the translation of US dollar cash and cash equivalents into Australian dollars.

An impairment charge of \$2,089,175 was recorded in the Statement of Comprehensive during the year ended 30 June 2012; this was to impair the carrying value of the intellectual property to nil.



ABN 99 009 179 551

Financial Report

For The Year Ended 30 June 2012

	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	18
Independent Auditors Report to the Members	19
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	25
Directors' Declaration	63

Directors

Mr Fabio Pannuti –Executive Chairman
Dr Warwick Lamb – Managing Director
Mr Roger Steinepreis – Non-Executive Director
Mr Steve Harris – Executive Director

Company Secretary

Mr Justyn Stedwell

Registered and Principal Office

7/21 Northumberland Street
Collingwood, Melbourne
Victoria, 3066
Telephone: (61 3) 9416 0032
Facsimile: (61 3) 8080 0796

Share Register

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

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

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Patent Attorney

McAndrews Held & Malloy Ltd
500 West Madison Street
34th Floor
Chicago, IL 60661

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

Bankers

Australia and New Zealand Banking
Group Limited
77 St Georges Terrace
Perth WA 6000

Securities Exchange Listing

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

Website and Email

www.imugene.com
Imugene@imugene.com

The Directors of Imugene Limited present their report on the Consolidated Entity consisting of Imugene Limited ("the Company" or "Imugene") and the entities it controlled ("Consolidated Entity" or "Group") during the year ended 30 June 2012.

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 (resigned July 31 2012)

Dr Warwick Lamb

Mr Roger Steinepreis

Mr Fabio Pannuti (appointed July 31 2012)

Mr Steve Harris (appointed August 1 2012)

Current Directors

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 the 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 USA. Most importantly Dr Lamb has formulated and executed a commercial strategy to license Imugene's intellectual property portfolio.

Other Current Directorships

None

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

None

Special responsibilities

Managing Director

Interest in shares and options over shares in Group companies at the date of this report

8,670,002 fully paid ordinary shares in Imugene

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.

Other Current Directorships of Australian Listed Public Companies

Mr Steinepreis is a director of:

Avonlea Minerals Limited (appointed May 2007)
Adavale Resources Limited (appointed May 2007)
Apollo Consolidated Limited (appointed August 2009)
Firestrike Resources Limited (appointed 10 March 2011)
Eureka Energy Limited (appointed June 2012)

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

ComTel Corporation Limited (resigned December 2010)

Special responsibilities

Lead independent director of the Company.

Interest in shares and options over shares in Group companies at the date of this report

Nil

Mr Fabio Pannuti – Executive Director and Chairman (appointed 27 July 2012)

Mr Pannuti is Managing Director of Consegna Group Limited. He has an extensive experience building companies across a number of industries including the biomedical and drug delivery markets, HR and labour hire, telephony, property development, mineral resources, agriculture and construction. He has had direct experience in many mergers and outdoor media agency in Eastern Europe. Many of the assets have been listed on public markets on North American, European and Australian Exchanges.

Other Current Directorships of Australian Listed Public Companies

Consegna Group Limited

Interest in shares and options over shares in Group companies at the date of this report

Nil

Mr Steve Harris – Executive Director (appointed 30 July 2012)

Mr Harris served as a Director of Development and Licensing with Medeva plc and brings over 48 years of commercial experience in the pharmaceutical industry, having worked for ICI Pharmaceuticals (now Astra Zeneca), Merck, Eli Lilly, Boots, Reckitt and Colman (now Reckitt Benckiser) and Gensia.

Mr Harris currently serves as non-executive Chairman of Proteome Sciences plc and Cyprotex plc. He has previously held numerous non-executive directorships and consultancies, many of which have been in the drug delivery sector.

He has been a fellow of the Royal Pharmaceutical Society of Great Britain since 2000. Mr Harris graduated with a B.Sc. in Pharmacy from the University of London in 1964.

Other Current Directorships of Australian Listed Public Companies

Nil

Interest in shares and options over shares in Group companies at the date of this report

Nil

Company Secretary

Mr Justyn Stedwell (appointed 30 July 2012)

Mr Stedwell is a professional Company Secretary with over six years experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining.

He is currently also the Company Secretary of ASX listed companies Consegna Group Limited, Anittel Group Limited, Fortis Mining Limited, Motopia Limited and Solagran Limited.

He has completed a Bachelor of Business & Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting and Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and Graduate Certificate of Applied Finance with Kaplan Professional.

Ms Julie Foster (resigned 30 July 2012)

*Qualifications – BA (Hons), ACA (ICAEW), ACIS
Appointed 29 May 2008*

Ms Foster has a degree in Accounting and Finance, is a Chartered Accountant (UK) and is a member of Chartered Secretaries Australia. She is also currently Company Secretary for ASX Listed Aurora Oil & Gas Limited and Elixir Petroleum Limited, and 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 2012 (2011: nil).

Review of operations

For the year ending 30 June 2012 the Group recorded a net loss after tax of \$3,133,433 (2011: net profit after tax \$415,539) and a net cash outflow from operations of \$965,922 (2011: net cash inflow of \$1,090,407).

By December 2011, Imugene completed a review of its vaccine products and intellectual property portfolio to determine the most appropriate path to follow after the termination of the global license agreement with Novartis was effected late September 2011. The review included some information from our former licensee, including the results of two trials that were undertaken by them.

The review considered both the commercial and scientific aspects of our vaccine products and intellectual property portfolio. The key conclusions are that there are components of our technology that have strong commercial prospects, particularly the pig vaccines. The strong trial results we have generated over the years seem not to always be reproducible when our protocols for determining vaccine concentrations and doses are not followed precisely. Additionally, Imugene has no control over the commercial parameters set or chosen for the successful progression of the vaccines through a partners product development program.

We are considering new approaches for delivering certain vaccines to maximise the efficiency of these vaccines, concentrating on the Porcine Reproductive and Respiratory Syndrome (PRRS) vaccine initially. We are undertaking discussions with interested parties to determine the level of commercial interest in progressing our technology.

The cocci vaccine program has been placed on hold following the review of trial results. Whilst the original vaccine showed great promise against the main strain of coccidiosis seen commercially, an effective vaccine would also need to protect against at least two other strains. This was not achieved in the trial and the time to make the additional components of the vaccine to provide that protection would not be commercially viable.

Given the shorter patent lives of the poultry products and the significant amount of further development required for the cocci vaccine, we are placing the development of all poultry vaccines on hold at this time.

The recoverable amount of intellectual property was reviewed and it was agreed by the board of directors to impair the carrying value of the intellectual property to nil. The directors of Imugene believe that this does not represent an inability to commercialise the intellectual property

The Group took a prudent approach to all expenditure, research and overhead expenses. The laboratory development work has been completed and the laboratory facility at La Trobe University in Melbourne was closed down at the end of October 2011.

Lingual Consegna Acquisition

After gaining shareholder approval at the EGM on 17 July 2012, Imugene finalised the acquisition of 100% of Lingual Consegna Pty Ltd from Consegna Group Limited on 31 July 2012 for 100,000,000 ordinary fully paid shares as consideration for the asset. Lingual Consegna Pty Ltd owns the family of patents and patent applications that protect the core drug delivery platform technology called LINGUET™.

The LINGUET™ platform is a technology which allows tablets to be dissolved under the tongue or through the Buccal cavity in the mouth (cheek) to release the active drug, which is absorbed immediately into the blood stream via the mucosa (lining) of the mouth. The active drug thereby bypasses the gastrointestinal tract and is able to reach its target more rapidly and in the process, significantly lowering side effects.

With a relatively short runway to commercialisation, the technology will be of particular interest to both multinational research based and generic pharmaceutical companies as they seek to identify new strategic differentiators. In addition, as it enhances the clinical benefits of existing pharmaceuticals, one of the key outcomes will be its ability to extend the period of exclusivity and patent life of existing products of major pharmaceuticals.

The vision for LINGUET™ is to utilise the existing IP and build additional know-how to create revenue generating commercial solutions within the pharmaceutical and healthcare global markets through:

- use of known molecules that have known and proven regulatory routes;
- low cost development with rapid and identifiable commercialisation programs; and
- opportunities with nutritional, over the counter and prescription medicine markets.

The major benefits identified from this vision include:

- improved patient compliance and management (by targeting those populations who find it difficult to swallow oral medicines such as the young and the elderly);
- a reduction in the need to overmedicate which should result in lower side effects; and
- a reduction in costs associated with lower concentrations of an active drug required in sub-lingual or Buccal presentation, upto tenfold and therefore result in significantly lower costs of production.

Management considered in its due diligence that Linguet was at the stage of its development where by entry to market can be achieved quickly and relatively low additional financial investment. Further, compared to traditional drug development platforms, the LINGUET IP affords Imugene the ability to target markets that do not need significant clinical investment to acquire regulatory approval.

Consolidated results

	2012	2011
	\$	\$
Consolidated (loss) / profit before income tax benefit	(3,133,433)	179,539
Income tax benefit	-	236,000
Net (loss) / profit	(3,133,433)	415,539

Significant changes in the state of affairs

No significant changes in the state of affairs of the Consolidated Entity occurred during the financial year and to the date of this report other than as referred to in the Review of Operations.

Matters subsequent to the end of the financial year

There are no matters or circumstances, which have arisen since 30 June 2012 other than as those disclosed in note 26 in the financial report that have significantly affected or may significantly affect the operations in future financial years of the Consolidated Entity, the results of those operations, or 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.

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2012, and the number of meetings attended by each Director (includes matters decided by circulating resolution).

	Number eligible to attend	Number attended
Full board meeting		
Graham Dowland	3	3
Warwick Lamb	3	3
Roger Steinepreis	3	3
Audit committee meetings		
Graham Dowland	2	2
Warwick Lamb	2	2
Roger Steinepreis	2	2
Remuneration committee meetings		
Graham Dowland	-	-
Warwick Lamb	-	-
Roger Steinepreis	-	-

Share Options

There are no share options on issue and no share options were granted during the year. 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 (audited)

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 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 Group, directly or indirectly, including any director (whether executive or otherwise) of 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**(a) Directors**

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

(b) Other key management personnel of the Group

Dr. Michael Sheppard	Chief Scientific Officer
----------------------	--------------------------

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.

A. Principles used to determine the nature and amount of remuneration (continued)***Non-executive directors***

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a 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. Base pay was increased during the year.

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 of scientific related milestones in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. All bonuses payable under this agreement have been paid.

The Board acting in its capacity as the remuneration committee established a short term incentive (STI) plan for the Managing Director to award a cash bonus for the 2011 calendar year. The remuneration committee considered the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets were met. For the 2011 calendar year, the KPIs linked to the STI plan were based on individual commercial and operational targets. The maximum target bonus opportunity was \$75,000.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the remuneration committee.

For the year ended 30 June 2012, short-term incentives paid or payable to key management personnel of the Group were Nil (2011: \$132,500):

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

Performance Related Cash Bonus						
	Grant date	Contractual performance bonus \$	Discretionary performance bonus \$	Total \$	Paid	Forfeited
Executive Directors						
Graham Dowland	Mar 11	-	45,000	45,000	100%	-
Warwick Lamb	Mar 11	-	65,000	65,000	100%	-
Other Key Management Personnel						
Michael Sheppard	Mar 11	-	22,500	22,500	100%	-

Discretionary bonuses paid during the financial year ended 30 June 2011 to Dr. Lamb and Mr. Dowland were specifically related to the successful completion of and value attributed to the Alliance Agreement with Imugene's Strategic Alliance Partner. 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 Groups intellectual property assets over the past seven years. In particular, the implementation and execution of the Groups commercialisation strategy which commenced in late 2005 has directly resulted in the securing of the Alliance.

A discretionary bonus was also paid to Dr. Michael Sheppard during the financial year ended 30 June 2011 specifically in recognition of Mr. Sheppard's work in increasing the performance of the Groups pig vaccines. There were no bonuses paid in 2012.

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 Group.

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 will review the policy if / when any long-term incentives are granted. There are currently no long-term incentives in place within the Group.

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.

	Short-term benefits			Post-employment benefits		Share-based payment		
2012	Cash salary and fees	Cash bonus	Non-Monetary benefits	Super-annuation	Retirement benefits	Options	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors								
Roger Steinepreis	29,496	-	-	-	-	-	29,496	-
Graham Dowland	45,413	-	-	4,087	-	-	49,500	-
Sub-total non-executive directors	74,909	-		4,087	-	-	78,996	
Executive directors								
Warwick Lamb	253,248	-	-	22,792	-	-	276,040	-
Sub-total executive directors	253,248	-	-	22,792	-	-	276,040	-
Other executives								
Michael Sheppard ²	76,026	-	-	6,842	-	-	82,868	-
Sub-total other executives	76,026	-	-	6,842	-	-	82,868	
Total – key management personnel	404,183	-	-	33,721	-	-	437,904	

B. Details of remuneration (continued)

	Short-term benefits			Post-employment benefits		Share-based payment		
2011	Cash salary and fees	Cash bonus	*Non-monetary benefits	Super-annuation	Retirement benefits	Options	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors								
Roger Steinepreis	44,992	-	-	-	-	-	44,992	-
Graham Dowland ¹	40,138			3,612			43,750	-
Sub-total non-executive directors	85,130	-	-	3,612	-	-	88,742	
Executive directors								
Graham Dowland ¹	72,915	45,000	-	-	-	-	117,915	38%
Warwick Lamb	236,451	65,000	-	21,588	-	-	323,039	20%
Sub-total executive directors	309,366	110,000	-	21,588	-	-	440,954	
Other executives								
Michael Sheppard ²	88,488	22,500	-	7,964	-	-	118,952	19%
Sub-total other executives	88,488	22,500	-	7,964	-	-	118,952	
Total – key management personnel	482,984	132,500	-	33,164	-	-	648,648	

¹. Mr. Dowland was appointed non-executive chairman on 30 November 2010 (previously executive chairman).

². Dr. Sheppard ceased employment with the Group on 22 March 2012.

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

B. Details of remuneration (continued)

	Fixed remuneration		At risk – STI*		At risk - LTI	
	2012	2011	2012	2011	2012	2011
Directors of Imugene Limited						
Graham Dowland	100%	72%	-	28%	-	-
Warwick Lamb	100%	80%	-	20%	-	-
Roger Steinepreis	100%	100%	-	-	-	-
Other key management personnel of the Group						
Michael Sheppard	100%	81%	-	19%	-	-

* Since short-term incentives are provided exclusively by way of discretionary cash bonus, the percentages disclosed can only reflect the remuneration realised during the year. No short-term incentives were awarded during the year ended 30 June 2012.

C. Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Group 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 with the Chairman, Managing Director and 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.

Dr Warwick Lamb, Managing Director

- Term of agreement – indefinite
- Base salary, inclusive of superannuation of \$275,000, to be reviewed annually by the board.
- Payment of two potential incentive bonuses for the 2011 calendar year, for successful achievement of two commercialisation key performance indicators.
- Payment of a termination benefit on early termination by the Group, 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, this was not renewed on 22 March 2012.
- Base salary, inclusive of superannuation of \$87,500.
- Payment of three potential incentive bonuses for the successful achievement of three development and commercialisation milestones. The incentive bonuses have been paid in previous periods.
- Payment of a termination benefit on early termination by the Group, other than for gross misconduct, equal to base salary and benefits for the remainder of the contract term.

Remuneration and other terms of agreement with the Company Secretary are not formalised in an agreement.

D. Share-based compensation

Options

No options were granted to key management personnel during the year ended 30 June 2012 (2011: nil). No options provided as remuneration to directors or key management personnel as remuneration were exercised during the year (2011: nil).

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 AASB 2 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.

E. Additional Information (continued)***Relationship between the remuneration policy and Group 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 Group in the current or previous reporting periods.

The tables below set out summary information about the Consolidated Entity's earnings and movement in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
	\$	\$	\$	\$	\$
Revenue	244,591	2,237,275	44,018	3,024,028	92,214
Net (loss)/profit before tax	(3,133,433)	179,539	(1,765,041)	252,500	(2,149,664)
Net (loss)/profit after tax	(3,133,433)	415,539	(1,535,041)	650,286	(1,910,925)

No dividends have been paid for the five years to 30 June 2012.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Share price at start of year	\$0.03	\$0.03	\$0.07	\$0.07	\$0.25
Share price at end of year	\$0.01	\$0.03	\$0.03	\$0.07	\$0.07
Basic earnings / (loss) per share (cents)	(\$2.18)	0.29	(1.1)	0.5	(1.4)
Diluted earnings / (loss) per share (cents)	(\$2.18)	0.29	(1.1)	0.4	(1.4)

Use of remuneration consultants

There were no remuneration consultants used during the year.

Voting and comments made at the Company's 2011 Annual General Meeting ("AGM")

Imugene Limited received 90% of votes for the remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

- 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 Group has paid a premium in respect of a contract insuring the directors of the Group (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 Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group 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 15 of financial report.

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

On behalf of the Directors



DR WARWICK LAMB
Chief Executive Officer
Melbourne, Victoria

31 August 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMUGENE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Imugene Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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 opinion.

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*, which has been given to the directors of Imugene Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Imugene Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over a faint blue BDO logo.

Peter Toll
Director

Perth, Western Australia,
Dated this 31st day of August 2012

31 August 2012

Board of Directors
The Grain Store
7/21 Northumberland St,
Collingwood
MELBOURNE VIC 3066

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 2012, 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 Audit (WA) Pty Ltd
Perth, Western Australia

Consolidated statement of comprehensive income

For the year ended 30 June 2012



ABN 99 009 179 551

	Notes	Consolidated	
		2012	2011
		\$	\$
Revenue from continuing operations	(5)	244,591	2,237,275
Other income	(6)	46,446	(39,138)
Research and development		(285,436)	(491,687)
Business development	(7)	(84,102)	(151,378)
Commercialisation expenses	(7)	(488,248)	(335,251)
Amortisation expense	(7)	(170,570)	(341,140)
Unrealised foreign exchange gain/(loss)		68,049	(132,520)
Corporate and administration costs		(374,988)	(566,622)
Impairment charge	(14)	(2,089,175)	-
Profit / (loss) before income tax		(3,133,433)	179,539
Income tax benefit	(8)	-	236,000
Net profit / (loss) for the year		(3,133,433)	415,539
Other comprehensive income		-	-
Total comprehensive income attributable to equity holders of Company		(3,133,433)	415,539
Earnings / (loss) per share			
Basic earnings / (loss) per share (cents per share)	(25)	(2.18)	0.29
Diluted earnings / (loss) per share (cents per share)	(25)	(2.18)	0.29

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

Consolidated statement of financial position



ABN 99 009 179 551

As at 30 June 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
Current assets			
Cash and cash equivalents	(9)	1,016,748	1,905,942
Trade and other receivables	(10)	-	53,223
Tax assets	(11)	266,672	466,000
Other assets	(12)	34,291	-
Total current assets		1,317,711	2,425,165
Non-current assets			
Property, plant and equipment	(13)	676	2,213
Intangible assets	(14)	-	2,259,745
Total non-current assets		676	2,261,958
Total assets		1,318,387	4,687,123
Current liabilities			
Trade and other payables	(15)	138,758	338,351
Provisions	(16)	106,216	141,926
Total liabilities		244,974	480,277
Net assets		1,073,413	4,206,846
Equity			
Contributed equity	(17)	14,907,453	14,907,453
Reserves	(18)	966,003	966,003
Accumulated losses	(18)	(14,800,043)	(11,666,610)
Total equity		1,073,413	4,206,846

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity



ABN 99 009 179 551

For the year ended 30 June 2012

	Contributed Equity \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010	14,907,453	966,003	(12,082,149)	3,791,307
Profit for the year	-	-	415,539	415,539
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	415,539	415,539
Transactions with owners, in their capacity as owners	-	-	-	-
Balance at 30 June 2011	14,907,453	966,003	(11,666,610)	4,206,846
(Loss) for the year	-	-	(3,133,433)	(3,133,433)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	(3,133,433)
Transactions with owners, in their capacity as owners	-	-	-	-
Balance at 30 June 2012	14,907,453	966,003	(14,800,043)	1,073,413

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

Consolidated statement of cash flows

For the year ended 30 June 2012



ABN 99 009 179 551

	Note	Consolidated	
		2012	2011
		\$	\$
Cash flows from operating activities			
Receipts from customers		235,913	2,840,303
Payments to suppliers and employees		(1,500,109)	(1,749,896)
Other income		298,274	-
Net cash inflow / (outflow) from operating activities		(965,922)	1,090,407
Cash flows from investing activities			
Interest received		8,679	11,174
Net cash inflow from investing activities		8,679	11,174
Net increase / (decrease) in cash and cash equivalents		(957,243)	1,101,581
Cash and cash equivalents at the beginning of the year		1,905,942	793,062
Effects of exchange rate changes on cash and cash equivalents		68,049	11,299
Cash and cash equivalents at the end of the year	(9)	1,016,748	1,905,942

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

For the year ended 30 June 2012

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 statements consist of consolidated financial statements for 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 these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are general-purpose financial statements, which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Corporations Act 2001.

Statement of compliance

The consolidated financial statements comply with International Financial Reporting Standards as adopted in Australia. Compliance with these standards ensures that the financial statements of Imugene Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going concern

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

Historical cost convention

These financial statements have been prepared on a historical cost basis.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, disclosed in note 4.

b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Limited as at 30 June 2012 and the results of all subsidiaries for the year then ended.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

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.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

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.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

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, license 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 profit or loss 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.

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.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 year ended 30 June 2012

2. Summary of significant accounting policies (continued)

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 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.

h) 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.

i) 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.

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 statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

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 profit or loss.

j) 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 carrying amount. These are included in the profit or loss.

k) Intangible Assets***Patents, Trademarks and Licenses***

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.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

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.

i) 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.

m) 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.

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.

Employee Benefit

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.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

n) Defined Contribution Superannuation Plans

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

o) 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 an appropriate 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 profit and loss with a corresponding adjustment to equity.

p) 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.

q) 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.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

r) 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 statement of financial position. Cash flows are included in the statement of cash flows 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.

s) New Accounting Standards and Interpretations

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2012. They have not been adopted in preparing the financial statements for the year ended 30 June 2012 and are expected to impact the Group in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

AASB 9 Financial Instruments (effective 1 January 2015)

Issued December 2009 and amended December 2010, AASB 9 Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income.

Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

AASB 10 - Consolidated Financial Statements (effective 1 January 2013)

Issued August 2011, AASB 10 introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the entity's returns from investee.

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

AASB 11 – Joint Arrangements (effective 1 January 2013)

Issued August 2011 - joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because Imugene has not entered into any joint arrangements.

AASB 12 – Disclosure of Interests in Other Entities (effective 1 January 2013)

Issued August 2011 - AASB 12 combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

AASB 13 Fair Value Measurement (effective from 1 January 2013)

Issued September 2011, requires additional disclosures for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, for example land and buildings and investment properties. When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.

Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (effective for annual reporting periods commencing on or after 1 January 2012)

1. Issued September 2011, Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income'

For the year ended 30 June 2012

2. Summary of significant accounting policies (continued)

2. statements – to be referred to as ‘statement of profit or loss’ and ‘statement of comprehensive income’.

OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit and loss and those that cannot.

When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

The following are standards that are likely to have a disclosure impact only

IRFS 9 Mandatory Effective Date and Transition Disclosures (effective for annual reporting periods commencing on or after 1 January 2015)

Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required. As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

IAS 1 Presentation of Financial Statements - (effective for annual reporting periods commencing on or after 1 January 2013)

Minimum comparative information

Clarifies the requirements for comparative information as follows:

- Only one year’s comparative information (i.e. for the preceding period)
- Two of each financial statement
- Narrative information provided in preceding period’s financial statements that continues to be relevant in current period.

There will be no impact when this amendment is first adopted as the entity only includes comparatives for the preceding period.

IAS 32 - Financial Instruments: Presentation (effective for annual reporting periods commencing on or after 1 January 2013)

- Clarifies that the following are required to be accounted for under IAS 12 Income Taxes:
- Income tax relating to distributions to holders of equity instruments
- Income tax relating to transaction costs of an equity instrument.

There will be no impact when this amendment is first adopted because the entity has always accounted for income taxes relating to distributions to holders of equity instruments and transaction costs of issuing an equity instrument consistent with this clarification. This means that depending on the circumstances, income tax might be recognised in either profit or loss or equity.

For the year ended 30 June 2012

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 holds the following financial instruments:

	Consolidated	
	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	1,016,748	1,905,942
Loans and receivables	-	53,233
	1,016,748	1,959,175
Financial liabilities		
Trade and other payables	138,758	338,351

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.

For the year ended 30 June 2012

3. Financial risk management (continued)

The carrying amounts of the Groups financial assets and liabilities are denominated in Australian dollars except as set out below:

	Consolidated	
	2012	2011
	US\$	US\$
Financial Assets		
Cash and Cash Equivalents	970,268	1,769,262

Group Sensitivity

Based on the financial instruments held at 30 June 2012, 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 \$97,027 lower / higher (2011 - \$167,000 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 2011 than 2012 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.

For the year ended 30 June 2012

3. Financial risk management (continued)**(ii) Interest Rate Risk**

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

		Consolidated	
		2012	2011
		\$	\$
Financial Assets			
Cash and Cash Equivalents	Floating rate*	1,016,748	1,905,942

* Weighted average effective interest rate 0.55% (2011: 0.32%)

Group Sensitivity

At 30 June 2012, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, the profit for the year would have been \$5,084 lower / higher (2011 – change of 100 basis points: \$9,530 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 on page 30.

		Consolidated	
		2012	2011
		\$	\$
(i) Cash at Bank and Short-Term Bank Deposits			
AA- Rated		1,016,748	1,905,942

For the year ended 30 June 2012

3. Financial risk management (continued)

(ii) Trade and Other Receivables

All trade and other receivables outstanding have good credit history with the group. There are no allowances for credit losses and no collateral is held for security for trade and other receivables (parent 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

As at the reporting date the Group have total financial liabilities of \$138,758 (2011: \$338,351), comprised of non interest-bearing trade creditors and accruals with a 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. There are no long term financial assets or liabilities which are subject to fair value estimation.

e) Capital Risk Management

The Group manages its capital, which includes cash and receivables, 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.

4. Critical Accounting Estimates & Judgements

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

a) Significant Accounting 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:

For the year ended 30 June 2012

4. Critical Accounting Estimates & Judgements (Continued)

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 2012, the carrying value of patents, licences and other rights is Nil (2011: \$2,259,745).

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

5. Revenue

	Consolidated	
	2012	2011
	\$	\$
Sub-license / contract research fees	235,912	2,227,028
Interest	8,679	10,247
	244,591	2,237,275

On 13 October 2010, Imugene entered into a Global Agreement with Novartis Animal Health, giving Novartis exclusive global rights to all of Imugene's technologies and intellectual properties, including vaccines and productivity enhancers. During the year ended 30 June 2011 Imugene received an initial payment of US\$1.75 million for reimbursement of past research fees, ongoing research fees and a licensing fee. Prior to receiving notification of termination of the Global Agreement with Novartis Animal Health, Imugene earned quarterly research fees of US\$250,000 during the year ended 30 June 2012.

6. Other Income

	Consolidated	
	2012	2011
	\$	\$
Government grants	(11,715)	(50,437)
Other	58,161	11,299
	46,446	(39,138)

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

Imugene applied for, and was awarded funding from the Export Market Development Grant (EMDG) during the year ended 30 June 2011. The EMDG scheme reimburses up to 50% of expenses incurred on eligible promotion of Imugene's technologies outside Australia, above a \$10,000 threshold.

As at 30 June 2011, an amount of \$52,500 has been classified as accrued income in relation to the EMDG grant application for eligible expenditure paid between 1 July 2010 and 30 June 2011 (refer to note 10). EMDG grant income received during the year ended 30 June 2012 totalled \$40,875 (2011: \$76,063), however EMDG grant income recognised and accrued at 30 June 2011 totalled \$52,500. As a result of this over accrual at 30 June 2011, government grant income for the year ended 30 June 2012 is (\$11,715) (2011:(\$50,437)).

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

7. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	2012	2011
Research and development		
Employee benefits	243,504	345,627
Business development		
Employee benefits	84,102	151,378
Amortisation of intangibles		
Amortisation expense	170,570	341,140
Impairment of patents, licences and other rights		
Impairment expense	2,089,175	-
Commercialisation expenses		
Patent expenses	373,688	119,276
Employee benefits	114,560	215,975
Corporate and administration costs		
Depreciation of tangible fixed assets	1,537	2,013
Superannuation Expense		
Deferred contribution superannuation expense	38,553	41,576

Unrealised foreign exchange

During the year ended 30 June 2012 Imugene incurred a significant unrealised foreign exchange gain (2011: loss) in relation to the translation of US dollar cash and cash equivalents into Australian dollars.

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

8. Income Tax

	Consolidated	
	2012	2011
	\$	\$
Current tax	-	236,000
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	(3,133,433)	179,539
Tax at the Australian statutory income tax rate of 30% (2011: 30%)	(940 030)	53,862
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income		
<i>Add tax effect of:</i>		
Research & development expenses (claimed under Tax Concession)	-	189,036
Amortisation of intangibles	51,171	102,342
Sundry other	(43,776)	19,642
Revenue losses not recognised	(951,825)	(269,369)
<i>Less tax effect of:</i>		
Patent costs	19,990	95,513
<i>Research & Development Tax Concession</i>		
Current Year	-	236,000
Under provision recognised in prior year	30,672	-
Income tax benefit	-	236,000
(i) Deferred tax assets not recognised		
<i>Arising from temporary differences attributable to:</i>		
Carried forward tax losses	2,727,522	1,774,576
Intangible assets	(962,699)	284,775
Share issue expenses	6,040	6,219
Employee benefits	31,865	42,578
Other	10,192	21,473
	1,784,241	2,129,621
Deferred tax asset not yet brought to account	(1,784,241)	(2,129,621)
	-	-

The utilisation of the carry forward tax losses is dependent upon passing the Same Business and the Continuity of Ownership Test given the acquisition of Lingual Conseгна Pty Ltd subsequent to year end.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012



ABN 99 009 179 551

9. Cash and cash equivalents

	Consolidated	
	2012	2011
	\$	\$
Cash at bank and in hand – AUS dollars	46,480	236,378
Cash at bank and in hand – US dollars	970,268	1,669,564
	1,016,748	1,905,942

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

Foreign exchange and Interest rate risk exposure

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

10. Trade and other receivables

	Consolidated	
	2012	2011
	\$	\$
Accrued income	-	52,500
Other	-	723
	-	53,223

a) Fair value

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

b) Credit risk – refer to note 3

c) Impaired trade receivables

No Group trade receivables were past due or impaired as at 30 June 2012 (2011: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012



ABN 99 009 179 551

11. Tax assets

	Consolidated	
	2012	2011
	\$	\$
Research and Development Tax Concession receivable	266,672	466,000

12. Other Assets

	Consolidated	
	2012	2011
	\$	\$
Share placement – prepaid costs	34,291	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012



ABN 99 009 179 551

13. Property, plant & equipment

	Consolidated	
	2012	2011
	\$	\$
Plant and equipment		
At cost	24,089	24,089
Accumulated depreciation	(23,413)	(21,876)
Total plant and equipment	676	2,213

A reconciliation of movements in property, plant and equipment is as follows:

Plant and Equipment		
Carrying amount at beginning of year	2,213	4,226
Additions	-	-
Depreciation expense	(1,537)	(2,013)
Carrying amount at end of year	676	2,213

For the year ended 30 June 2012

14. Intangible assets

	Consolidated	
	2012	2011
	\$	\$
Patents, licenses and other rights		
Opening cost	5,117,095	5,117,095
Impairment charge	(2,089,175)	-
Closing cost	3,027,920	5,117,095
Accumulated amortisation		
Accumulated amortisation at the start of the year	(2,857,350)	(2,516,210)
Amortisation charge	(170,570)	(341,140)
Accumulated amortisation at the end of the year	(3,027,920)	(2,857,350)
Opening net book amount	2,259,745	2,600,885
Closing net book amount	-	2,259,745

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.

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cashflows using asset-specific discount rates. In reviewing the recoverable amount of intellectual property, the board has considered the following indicators of impairment:

- The global licence agreement with Novartis was terminated during the half year period, with our initial interpretation that the results did not satisfy Novartis' requirements for commercial progression.
- The financial crisis has had an adverse effect on the life science arena and the ability to raise additional funding to progress intellectual properties through development stages.

It was agreed by the board of directors to impair the carrying value of the intellectual property to nil due to those factors outlined above. The directors of Imugene believe that this does not represent an inability to commercialise the intellectual property.

As at 30 June 2012, the carrying value of these patents and licences is nil (30 June 2011: \$2,259,745).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012



ABN 99 009 179 551

15. Trade and other payables

	Consolidated	
	2012	2011
	\$	\$
Trade payables	116,879	73,591
Other payables	21,879	264,760
	138,758	338,351

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.

2. Fair value

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

3. Foreign exchange risk exposure

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

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

16. Provision

	Consolidated	
	2012	2011
	\$	\$
Employee benefits - annual leave	106,216	141,926

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.

17. Contributed equity

	2012 Shares	2011 Shares	2012 \$	2011 \$
Fully paid ordinary shares	143,637,220	143,637,220	14,907,453	14,907,453

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.

Movement in contributed equity during the current and prior year is as follows:

	Date	Number of shares	\$
Opening balance	30 June 2011	143,637,220	14,907,453
Closing balance	30 June 2012	143,637,220	14,907,453

Refer to Note 3 (e) for capital risk management note.

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

18. Reserves and accumulated losses

	Consolidated	
	2012	2011
	\$	\$
a) Share-based payment reserve		
Opening balance	966,003	966,003
Closing balance	966,003	966,003
b) Accumulated losses		
Opening balance	(11,666,610)	(12,082,149)
Net profit /(loss) for the year	(3,133,433)	415,539
Closing balance	(14,800,043)	(11,666,610)

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.

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. Any resulting expenses are included in the share based payment reserve.

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 2012 (2011: nil).

For the year ended 30 June 2012

19. Options

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

	2012 Number	2011 Number	Exercise Price	Expiry
Unlisted performance options				
Type 10	-	-		
Total	-	-		

The Type 10 options lapsed on 31 March 2011 and were not exercised.

Movement in the number of options on issue during the current and prior year is as follows:

	2012 Number	2011 Number
Opening balance	-	3,000,000
Expired during the year:		
Unlisted performance options		
Type 10	-	(3,000,000)
Closing balance	-	-

For the year ended 30 June 2012

20. Parent Entity Financial Information

The following details information related to the parent entity, Imugene Limited, at 30 June 2012. The information presented here has been prepared using accounting policies consistent with those presented in Note 2.

	Company	
	2012	2011
	\$	\$
Current assets	358,220	725,424
Non-current assets	1,217,525	3,880,494
Total assets	1,575,745	4,605,918
Current liabilities	502,332	747,096
Total liabilities	502,332	747,096
Contributed equity	14,907,452	14,907,453
Share-based payment reserve	966,003	966,003
Accumulated losses	(14,800,883)	(12,014,634)
Total equity	1,073,413	3,858,822
Profit / (loss) for the year	(2,785,410)	67,514
Other comprehensive income for the year	-	-
Total comprehensive (profit) / loss for the year	(2,785,410)	67,514

Parent entity contingent liability

The parent entity had no contingent liabilities at reporting date.

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 2012 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. No allowance has been made for doubtful debts. At reporting date amounts receivable from controlled entities totalled \$1,942,237 (2011: \$2,376,361).

For the year ended 30 June 2012

20. Parent Entity Financial Information (Continued)**b) Investments in Controlled Entities**

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2012 %	2011 %
Controlled Entities				
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

For the year ended 30 June 2012

21. Key management personal disclosures**c) The Directors of Imugene Limited during the year were:**

Mr. Graham Dowland	- Non - executive Chairman
Mr. Warwick Lamb	- Managing Director
Mr. Roger Steinepreis	- Non - executive Director

d) Other key management personnel and executives

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, Ms Julie Foster, is deemed a Company executive under section 9 of the Corporations Act 2001.

e) Key management personnel compensation

	Consolidated	
	2012	2011
	\$	\$
Short - term employee benefits	404,183	615,484
Post-employment benefits	33,721	33,164
	437,904	648,648

Detailed remuneration disclosures can be found in the section of the Directors Report headed "Remuneration Report".

For the year ended 30 June 2012

21. Key management personal disclosures (continued)**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.

2012	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
Directors of Imugene Limited								
Graham Dowland	-	-	-	-	-	-	-	-
Warwick Lamb	-	-	-	-	-	-	-	-
Roger Steinepreis	-	-	-	-	-	-	-	-

Other key management personnel of the Group

Michael Sheppard (*)	-	-	-	-	-	-	-	-
----------------------	---	---	---	---	---	---	---	---

(*): Contract was not renewed on 22 March 2012.

2011	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
Directors of Imugene Limited								
Graham Dowland	-	-	-	-	-	-	-	-
Warwick Lamb	-	-	-	-	-	-	-	-
Roger Steinepreis	-	-	-	-	-	-	-	-

Other key management personnel of the Group

Michael Sheppard	-	-	-	-	-	-	-	-
------------------	---	---	---	---	---	---	---	---

For the year ended 30 June 2012

21. Key management personal disclosures (continued)**(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.

2012	Balance at start of the year	Acquired	Other changes	Balance at the end of the year
Directors of Imugene Limited				
Graham Dowland	7,667,576	-	-	7,667,576
Warwick Lamb	8,670,002	-	-	8,670,002
Roger Steinepreis	-	-	-	-
Other key management personnel of the Group				
Michael Sheppard (*)	272,248	-	-	272,248

(*): Contract was not renewed on 22 March 2012.

2011

Directors of Imugene Limited				
Graham Dowland	7,667,576	-	-	7,667,576
Warwick Lamb	8,670,002	-	-	8,670,002
Roger Steinepreis	-	-	-	-
Other key management personnel of the Group				
Michael Sheppard	272,248	-	-	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.

For the year ended 30 June 2012

21. Key management personal disclosures (continued)**(iv) Other transactions with key management personnel**

The aggregate amount recognised as an expense in relation to these transactions is \$21,000 (2011: \$42,000).

During the year, Vetspec Pty Ltd, a company 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 2012, the Group paid \$21,000 (2011: \$42,000) to Vetspec Pty Ltd and this has been recognised in the financial statements as an expense.

During the year, Steinepreis Paganin, a company of which Mr Roger Steinepreis is a Partner provided legal services to the Company. For the year ended 30 June 2012, the Group paid \$23,126.50 (2011: Nil) to Steinepreis Paganin and this has been recognised in the financial statements as a pre-acquisition cost of the Consegna Group.

During the year, Aurora Oil and Gas Limited, a company of which Mr Graham Dowland is a Director, provided a serviced office (in Perth) and other administration services to the Company. For the year ended 30 June 2012, the Group incurred \$90,000 (2011: Nil) and this has been recognised in the financial statements as an expense.

22. Remuneration of auditors

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

	Consolidated	
	2012	2011
	\$	\$
BDO Audit (WA) Pty Ltd for:		
Audit and other assurance services		
Audit and review of financial statements	41,363	39,000
Other assurance services	-	-
Total auditors' remuneration	41,363	39,000

For the year ended 30 June 2012

23. Segment information

Management has determined, based on the reports reviewed by the CEO that are used to make strategic decisions, that the Group has one reportable segment being the research, development and commercialisation of animal health technologies.

Reportable segment revenue

Revenue, including interest income, is disclosed below based on the reportable segment:

	2012	2011
	\$	\$
Revenue from research, development and commercialisation	224,198	2,176,591
Revenue from other corporate activities	66,840	21,547
	291,038	2,198,138

	2012	2011
	\$	\$

Reportable segment assets

Assets are disclosed below based on the reportable segment:

Asset from research, development and commercialisation	266,672	2,778,245
Assets from other corporate activities:		
Cash and cash equivalents	1,016,748	1,905,942
Other corporate assets	676	2,936
	1,284,096	4,687,123

Reportable segment profit / (loss)

Profit / (loss) is disclosed below based on the reportable segment:

Profit / (loss) from research, development and commercialisation	(2,835,171)	857,135
(Loss) from other corporate activities	(298,262)	(677,596)
	(3,133,433)	179,539

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

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

	Consolidated	
	2012	2011
	\$	\$
Profit / (loss) for the year	(3,133,433)	415,539
Depreciation and amortisation	172,106	343,153
Impairment expense	2,089,175	-
Interest income	(8,679)	(10,247)
Provision for employee benefits	(35,710)	30,033
Net exchange differences	(68,049)	(11,299)
Decrease in receivables	218,260	180,358
Increase in payables	199,593	142,870
Net cash inflow / (outflow) from operating activities	(965,923)	1,090,407

Notes to the Consolidated Financial Statements



ABN 99 009 179 551

For the year ended 30 June 2012

25. Earnings / (loss) per share

	Consolidated	
	2012	2011
	Cents	Cents
Basic earnings / (loss) per share		
(Loss) / profit attributable to the ordinary equity holders of the Company	2.18	0.29
Diluted earnings / (loss) per share		
(Loss) / profit attributable to the ordinary equity holders of the Company	2.18	0.29
	\$	\$
(Loss) / profit used in calculation of basic / diluted earnings / (loss) per share		
(Loss) / profit	(3,133,433)	415,539
	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	143,637,220
Weighted average number of ordinary shares / potential ordinary shares used as the denominator in calculating diluted earnings / (loss) per share	143,637,220	143,637,220

26. Subsequent Events

On July 17th 2012, at a General Meeting shareholders approved (a) the acquisition of the Lingual Consegna Limited by the Company and to issue 100,000,000 shares to Consegna Group as consideration, (b) to allot and issue 100,000,000 shares at an issue price of \$0.01 per share to raise up to \$1,000,000 and (c) to allot and issue 50,000,000 options at an issue price of \$0.001 to the Forrest Capital and CPS Securities for assisting in and managing the placement and associated corporate advice.

(a) Acquisition of Lingual Consegna Pty Ltd

On July 31 2012, Imugene Limited acquired 100% of the issued share in Lingual Consegna Pty Ltd, (a drug delivery technology company which holds the Linguet Patented Buccal Delivery intellectual property), for consideration of 100,000,000 shares in Imugene Limited.

The financial effects of this transaction have not been brought to account at 30 June 2012. The operating results and assets and liabilities of the company will be consolidated from July 31 2012.

For the year ended 30 June 2012

26. Subsequent Events (continued)

	2012 \$
Purchase consideration	
Fair value of shares issued as consideration (*)	1,400,000
Total purchase consideration	1,400,000

(*) The purchase price is based on the closing share price of Imugene Limited share quoted on ASX on date of acquisition.

The provisionally determined fair values of the asset and liabilities of Lingual Conseгна Pty Ltd, as at the date of acquisition are as follows:

	Book value \$	Fair value adjustments \$	Total \$
Cash and cash equivalents	-	-	-
Total current assets	-	-	-
Non-current assets			
Intangible assets	841,100	607,391	1,448,491
Total-non current assets	841,100	607,391	1,448,491
Current liabilities			
Trade and other payables	48,491	-	48,491
Total Liabilities	48,491	-	48,491
Net identifiable assets acquired	792,609	607,391	1,400,000

Contingent liability

On 15th August 2011, Conseгна Group Limited through its subsidiary Lingual Conseгна Pty Ltd acquired the Linguet Patented Buccal Delivery intellectual property from OzPharma Pty Limited. Under the terms of the agreement, part of the consideration was to pay 15% of future sales from the Linguet platform to OzPharma Pty Ltd.

At the time these financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Lingual Conseгна Ltd. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally. The finalisation of the accounting may result in material movements from the amounts stated above.

For the year ended 30 June 2012

26. Subsequent Events (continued)

(b) Share placement of 100,000,000 shares

On 17th July 2012, a resolution was approved for the Directors to allot and issue up to 100,000,000 shares at an issue price of \$0.01 per share to raise up to \$1,000,000. The shares were issued on 3rd August, 2012 and \$1,000,000 was received as part the share placement.

(c) Grant of options

On 3rd August 2012, 50,000,000 options were granted to CPS Securities and Forest Capital. The options have an exercise price of \$0.02 and expire on 31 December 2015.

(d) Appointment of Executive Director

On 31st July 2012, Mr Fabio Pannuti, was appointed as an Executive Director of Imugene Limited.

(e) Resignation of Non – Executive Director

On 31st July 2012, Mr Graham Dowland resigned as a Non-Executive Director of Imugene Limited.

(f) Appointment of Executive Director

On August 1 2012, Mr Steve Harris was appointed as Executive Director of Imugene Limited.

27. Contingencies

The Consolidated Entity has no contingent assets or liabilities at reporting date. (2011: none).
The Consolidated Entity has no commitments at reporting date. (2011: none).

28. Related party transactions

There have been no transactions with related parties during the year ended 30 June 2012 other than as disclosed in note 21 in the financial report.

In the Directors' opinion:

- a. the financial statements and the accompanying notes set out on pages 18 to 45, are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the financial period ended on that date.
- 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 financial statements and accompanying notes are prepared in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.
- d. the remuneration disclosures included on pages 7 and 13 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2012 comply with section 300A of the *Corporations Regulations 2001*.

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

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



DR WARWICK LAMB
Chief Executive Officer
MELBOURNE, VICTORIA

31 August 2012