



IMUGENE

LIMITED

Annual Report 2012-13

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Imugene is now a pharmaceutical business
with a **drug delivery platform**
at the centre of its assets focusing
on **Consumer Healthcare** products and
Vitamin D Therapeutics

Letter from the Chairman

Dear Shareholders

I would like to welcome you to Imugene Ltd and our 2013 Annual Report. The past 12 months has seen many significant changes as the Company transitioned itself from its animal vaccine portfolio into a pharmaceutical business with a drug delivery platform at the centre of its assets.

I acknowledge that drug delivery has been a new and unfamiliar technology to many of the existing Imugene shareholders, however I am pleased to report that the past 12 months has seen much progress in cementing a robust strategy to commercialise our platform technology which delivers existing drugs in a better way into two key markets; consumer healthcare and therapeutics.

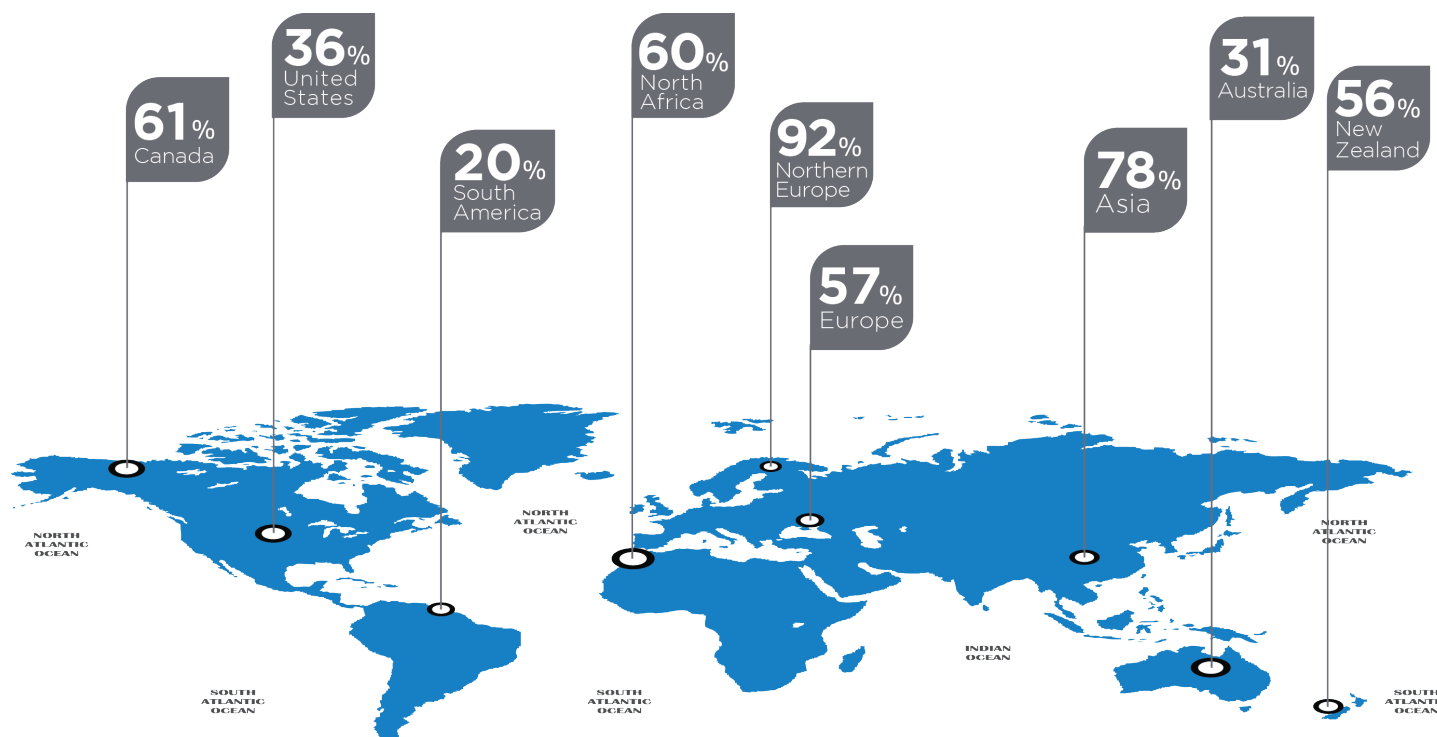
We are utilising our proprietary drug delivery technology Linguet™ to improve the efficacy and safety of a diverse number of nutraceutical (vitamins and supplements), prescription and over the counter medicines with an initial focus on Vitamin D.

Linguet enables the active ingredient of drugs to be absorbed straight into the bloodstream when placed inside the cheek (via the buccal mucosa) or under the tongue (sublingual). Linguet's novel action is to facilitate the controlled and precise delivery of the drug into the bloodstream, whilst bypassing the digestive system. This enhances the performance and tolerability of drugs that are usually poorly absorbed or tolerated when administered orally.

Our two-market approach has been carefully considered to deliver near term revenues in the consumer healthcare market and long-term significant value inflexion points in the lucrative therapeutics market to substantially increase shareholder wealth.

At the time of writing, we are in discussions with Australian Nutraceutical companies to commercialise our first product, a melt-in-the-mouth vitamin D tablet, or as we would like to say a "meltlet". This novel formulation is designed to address the issue of the unpleasant taste of vitamins, and alleviate the stresses that millions of people face worldwide who suffer with difficulty in swallowing, particularly different forms of vitamin tablets.

During the year, Imugene commissioned its own research to firstly validate the issues people have with swallowing and secondly, confirm a melt-in-the-mouth tablet is a solution that is desired. The vitamins and supplements industry is big business in Australia, worth an estimated \$1.5bn each year and the industry is growing at up to 12% annually.



Above: Reported incidence of vitamin D deficiency defined as a 25-hydroxyvitamin D (25[OH]D) level below 20 ng/mL around the globe in the general population. Source: Mayo Clinic - Vitamin D for Health: A Global Perspective

So why is vitamin D first? Well it is a global issue. According to the Harvard School of Public Health, worldwide, an estimated 1 billion people have inadequate levels of vitamin D in their blood. It does not discriminate; deficiencies are found in all ethnicities, in all climates and across all age groups.

Physicians in industrialized countries are now even reporting the resurgence of rickets, a disease that was nearly eradicated with public-health initiatives in the early part of the 20th century. Scientists now understand the wide reaching health effects of the deficiency from osteoporosis to heart disease, MS, chronic kidney disease and diabetes through to the seasonal flu.

During the last twelve months, we have completed the feasibility testing and formulation development for two initial vitamin D formulations, including a vitamin D supplement tablet which melts in the mouth for the consumer healthcare market and a prescription tablet that will be delivered straight into the blood stream via the mucosal lining of the mouth, accelerating onset and bypassing the stomach.

While current vitamin D supplements are available over the counter and by prescription, they do not deliver sufficient amounts or consistent amounts of Vitamin D due to the varying absorption rates of the drug when it is passed through the gastro-intestinal tract via an oral delivery method. This makes Imugene's technology a compelling proposition for major pharmaceuticals, both in Australia and overseas.

IMUGENE LIMITED AND CONTROLLED ENTITIES

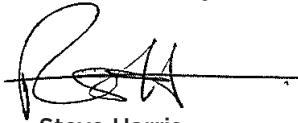
ACN: 009 179 551

Over the next 12 months our pharmaceutical product development programs are scheduled to continue targeting vitamin D deficiency plus a range of other vitamins and supplements. This creates significant opportunities for Imugene as our patented delivery technologies have the potential to extend patent life and market exclusivity for such drugs. Accordingly, we will seek aggressively to license our intellectual property to pharmaceutical companies seeking to differentiate their products to preserve brand equity.

I very much look forward to all of us sharing in the upside that should arise out of the preparatory process we have been through internally this last year. With the board and management team we now have in place, I believe we have all components in place to get the job done and drive the business for long term.

As a final note, I would like to thank our team, board members and Executive Director, Dr Nick Ede for the marvelous effort and application they have shown in building this new enterprise. Again, I am grateful for your investment, patience and belief in our company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Steve Harris', with a horizontal line extending to the right.

Steve Harris

Chairman

Linguet™

Drug Delivery Technology

Linguet™

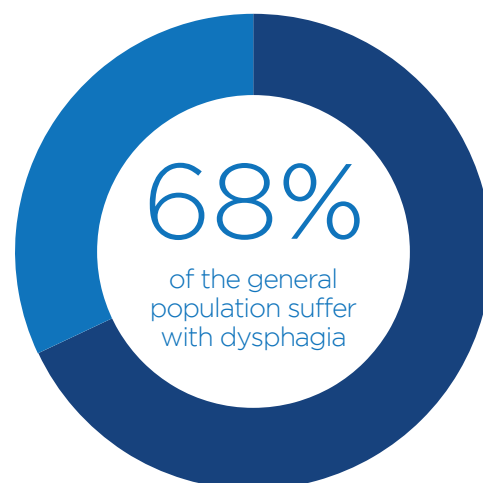
Linguet is a proprietary drug delivery technology that improves the efficacy and safety of a diverse number of nutraceutical, prescription and over the counter medicines. The platform technology enables the active ingredient of drugs to be absorbed straight into the bloodstream when placed inside the cheek (via the buccal mucosa) or under the tongue (sublingual).

Through the Linguet buccal and sublingual tablet technology, many drugs that are usually poorly absorbed or tolerated by oral administration can be delivered to the bloodstream more effectively. Most importantly, the key to the Linguet platform is that the amount and rate of drug to be delivered through the oral mucosa directly to the bloodstream can be precisely controlled.

This approach also potentially allows for lower doses of the active drug, while achieving a better result. With conventional orally administered tablets; there is frequently loss of drug through enzymatic degradation in the stomach and metabolism in the liver (the so-called hepatic first pass effect). This has the effect of reducing the amount of drug available to the site of action. As a consequence, higher doses of the active drug are required to compensate for the amount of the drug that is lost in the stomach and liver. This raises the risk of side effects as well as increasing the cost of the product.

A further advantage of the Linguet technology is that it utilises excipients that are currently used in ingested tablets, albeit in different proportions, to modulate release and absorption rates and to assist in taste masking of unpalatable drugs. All components of the Linguet drug formulation are blended in a normal dry powder process and compressed in standard tableting machines, meaning that manufacturing costs are minimised. Products manufactured using the Linguet technology can be packed in conventional pharmaceutical product packaging.

In addition, an added benefit discovered during formulation development in 2013 is that the Linguet tablet dissolves rapidly when placed in the mouth without leaving any residue or after-taste. This exciting research discovery opens up new business opportunities for expanding the range of Vitamin D products offered, and will in the future, facilitate entry into the lucrative "orally dispersible tablet" (ODT) market. Drugs formulated and administered as an ODT circumvent problems associated with swallowing (sometimes known as dysphagia). A recent report from the UK reported that 68% of the general population suffer from some form of difficulty in swallowing their medications.



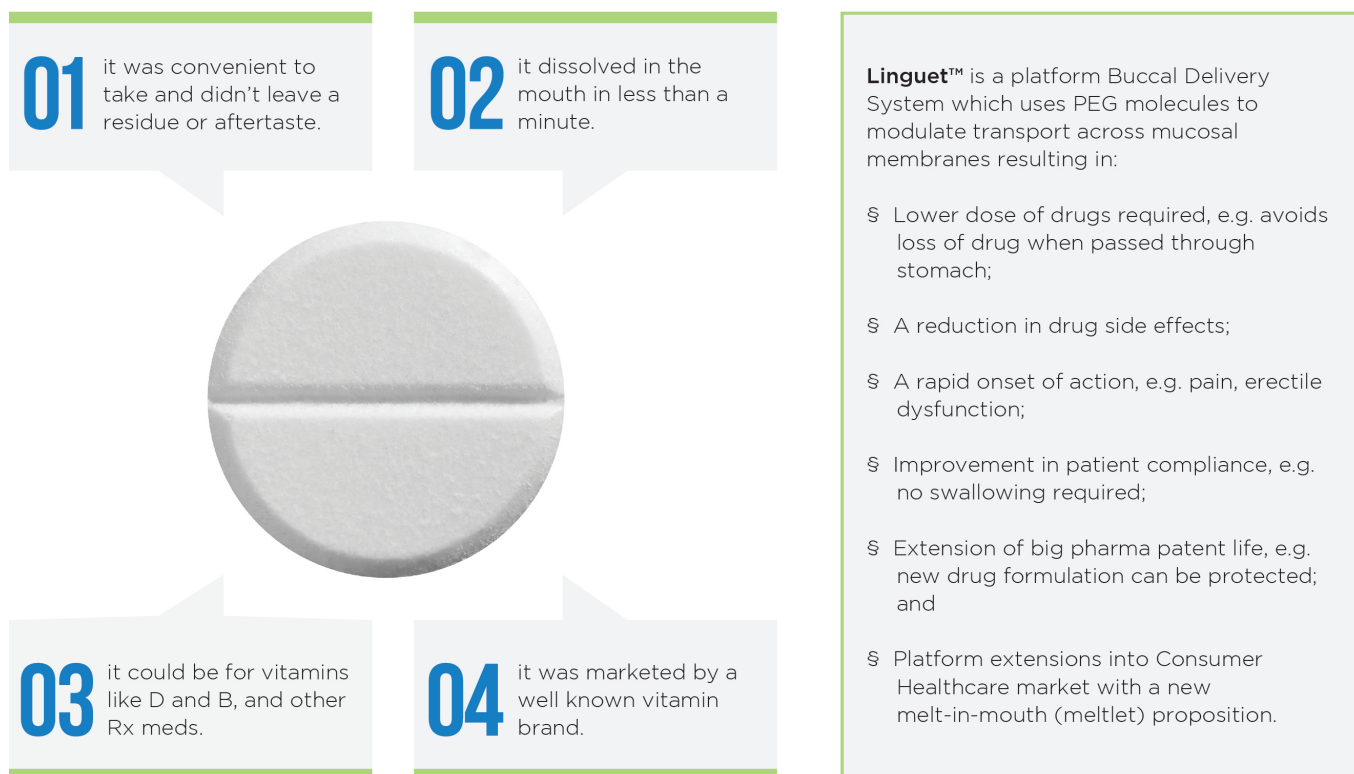
Possible applications for Linguet include pharmaceuticals due to come off patent in the near future. Linguet offers the potential for extending market exclusivity or patent “evergreening” through development of new and patented dosage forms.

Linguet is able to be used in a wide range of therapeutic applications enabling a rich hunting ground to create world-class products that meet the commercial need. Such breadth of choice allows for a de-risked business model.

Our Market Opportunity

Linguet offers opportunities to address the issues of Dysphagia. As healthcare providers are looking to reduce costs, the issue of patient compliance is becoming ever more important. Such Healthcare Providers are trying to reduce the length of stay and treatment within the Secondary Care market, pushing patients out from hospital and back into the community. As there is less supervision in the community for medicines management and monitoring of patient compliance, the requirement for more accessible ways to improve compliance will become increasingly important.

People would try a **meltlet** or **buccal delivery** tablet if:



Our Strategy

The class of drugs Imugene is targeting is referred to as “super generics” – by this we mean taking known drugs or molecules and improving the way they are delivered within the body, to create a differentiated product which can attract a premium price and stand out in the generic drug market.

There are three key aspects to the strategy:

LOW RISK STRATEGY

Working with known drugs lessens the development and regulatory risk – especially with over-the-counter products, such as the Vitamin D range. Compared to traditional drug development fewer clinical trials are required, resulting in lower development costs and fewer regulatory hurdles.

THREE PRIORITY TARGETS

Imugene has selected three priority targets where we have identified a significant unmet need. Our first focus is Vitamin D, a smaller but near term opportunity to validate our technology and rapidly bring a product to market. Medium term focus is on the larger markets of pain and diseases associated with vitamin D deficiency.

EARLY REVENUE GENERATORS

Our strategy is to develop products to regulatory approval, and then secure revenues through a license with a third party.

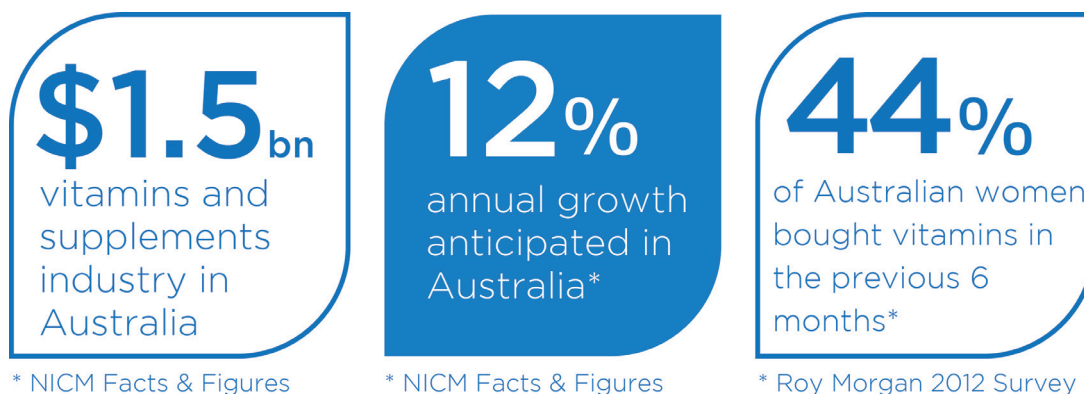
“Approximately 39% of all product launches from 2002 to 2005 were reformulations of existing pharmaceutical products rather than new chemical entities.”

The Linguet Development Program

CONSUMER HEALTHCARE MARKET

Imugene is developing firstly a vitamin D supplement tablet, which melts in the mouth, better known as a “meltlet”. The novel formulation, which utilises the Company’s Linguet™ technology, is designed to address issues of the unpleasant taste of vitamins, and alleviate the stresses that millions of people face worldwide who suffer with difficulty in swallowing particularly different forms of vitamin tablets.

During the year, Imugene commissioned its own research to firstly validate the issues people have with swallowing and secondly, confirm a melt-in-the-mouth tablet is a solution that is desired. Our research has been supported by discussions held with Australian nutraceutical companies. The vitamins and supplements industry is big business in Australia, worth an estimated \$1.5bn each year and the industry is growing at up to 12% annually.



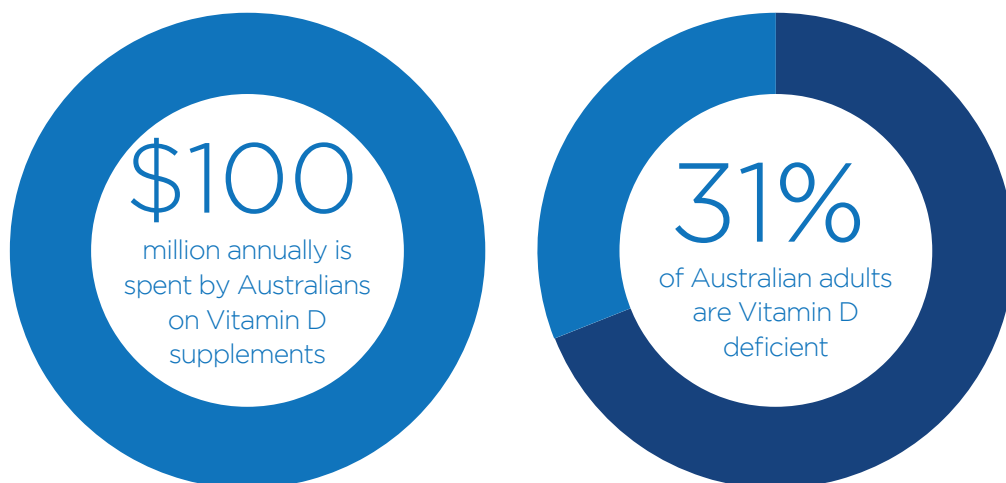
THERAPEUTIC MARKET

Imugene will develop a prescription Vitamin D tablet for buccal delivery. Linguet supports “buccal” administration of drugs straight to the blood stream via absorption through the lining of the mouth. There are direct links between several diseases such as diabetes, cancer and chronic kidney disease and a deficiency of vitamin D.

While current vitamin D supplements are available over the counter and by prescription, they do not deliver sufficient amounts or consistent amounts of Vitamin D due to the varying absorption rates of the drug when it is passed through the gastro-intestinal tract via an oral delivery method.

“Vitamin D deficiency is implicated in a number of serious diseases including diabetes and cancer so improving our understanding is critical”.

Professor Boyages, Sydney Medical School



A hand with dark nail polish holds a dandelion seed head. The background is a bright, warm yellow-orange glow with many out-of-focus light spots (bokeh), suggesting a sunny day. The text is positioned in the upper right area of the image.

Vitamin D is best absorbed by the body through sunshine however, our modern lifestyles with less sun exposure has led to widespread deficiency in all age groups.

Intellectual Property

Imugene currently has rights to a family of patents/patent applications and Trademarks that protect the core drug delivery platform technology (Linguet). The future competitive position of Imugene will depend on its ability to obtain and maintain patent protection of existing and future intellectual property, including its platform technology, improvements, products, clinical uses and production processes.

A family of patents and patent applications protects the Linguet technology, as follows:

- 'Buccal Delivery System', granted in Australia (AU 2006 230,820), Russia (2,406,480), New Zealand (NZ 563,311), China (200680010802.4), Japan (5256425) and allowed in Europe (067213584.6), with applications proceeding in other designated countries (PCT/AU2006/000472), namely Canada, the USA, Hong Kong and India;
- 'Buccal and/or Sublingual Therapeutic Formulation' (PCT/AU2010/000594), has entered national/regional phase of examination in Australia, Brazil, Canada, China, Japan, Mexico, New Zealand, Europe and the USA;
- 'Formulations and Therapeutic Uses Thereof', New Australian Provisional Patent Application No. 2013901834 covering Vitamin D and analogues.

The Linguet trademark has been registered under Class 05 in Australia (renewal 2016) and New Zealand (renewal 2017), and internationally under the Madrid Protocol™ (renewal 2017).

A key activity for Imugene is to obtain maximum protection of its Linguet technology and to retain a position of exclusivity for this approach. Prosecution of the current patent applications is continuing with granted patents in Australia, New Zealand and Russia and pending patents in other jurisdictions. However, Imugene will also focus on strengthening its position by identifying potential vulnerabilities in these patent applications, undertaking research to address these issues and applying for new patents to protect the research outcomes.

Imugene will also seek patent protection for new intellectual property, including improvements to the platform technology, specific Linguet candidates and their applications. As a minimum, patent applications will be made in the US, the European Union, Canada, China, Japan, Australia and New Zealand and most other English-speaking countries.

BUCCAL DELIVERY SYSTEM

Country / Jurisdiction	Patent / Application No.	Status
Australia	2006 230820	Granted
Canada	2,603,649	Pending
China (People's Republic)	200680010802.4	Granted
European Patent Convention	067213584.6	Allowed *
Hong Kong	08103009.5	Pending
India	7718/DELNP.2007	Pending
Japan	5256425	Granted
New Zealand	562311	Granted
Patent Cooperation Treaty	AU2006/000472	Expired
Russian Federation	2007141365	Granted
United States of America	11/910,902	Abandoned
United States of America	13/021,578	Pending

* correct at date of printing

BUCCAL AND/OR SUBLINGUAL THERAPEUTIC FORMULATION

Country / Jurisdiction	Patent / Application No.	Status
Australia	AU2010/000594	Pending
Brazil	P1 1012170-6	Pending
Canada	2,761,538	Pending
Europe	10788488.4	Pending
China	201180002128.6	Pending
New Zealand	596183	Pending
Mexico	MX/a/2011/012078	Pending
India	8161/DELNP/2011	Pending
United States of America	13/256,844	Pending

FORMULATIONS AND THERAPEUTIC USES THEREOF

Country / Jurisdiction	Patent / Application No.	Status
Australia	2013901834	Pending

Corporate Information

Directors

Mr Steve Harris – Non-executive Chairman
Mr Paul Hopper – Non-executive Director

Executive Director

Dr Nicholas Ede

Company Secretaries

Mr Phillip Hains
Mr Justyn Stedwell

Registered and Principal Office

Suite 1, 1233 High Street
Armadale, Victoria, 3143
Telephone: (61 3) 9824 5254
Facsimile: (61 3) 9822 7735

Share Register

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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

Patent Attornies

Davis Collison Cave
1 Nicholson Street
Melbourne, Victoria, 3000
Australia

Auditor

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

Bankers

National Australia Bank
Level 2, 181 William Street
Melbourne, Victoria, 3000, Australia

Securities Exchange Listing

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

Imugene Limited is a Public Company Limited
by shares and is domiciled in Australia.

Website and Email

www.imugene.com
info@imugene.com

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Imugene Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

Directors

The following persons were directors of Imugene Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Nicholas Ede (appointed 11 February 2013)
Mr Steve Harris (appointed 1 August 2012)
Mr Paul Hopper (appointed 31 October 2012)
Mr Fabio Pannuti (appointed 31 July 2012, resigned 11 February 2013)
Dr Warwick Lamb (resigned 31 October 2012)
Mr Roger Steinepreis (resigned 1 October 2012)
Mr Graham Dowland (resigned 31 July 2012)

Principal Activities

The Consolidated Entity is an Australian pharmaceutical company with a drug delivery platform technology at the centre of its assets. The platform allows drugs in tablet form to be delivered straight into the blood stream via the mouth accelerating onset of action and reducing side effects of absorption in the stomach.

Review of Operations

Operating Results

The Company reported a loss for the full-year ended 30 June 2013 of \$1,559,566 (2012: \$3,133,433). The loss is after fully expensing all research and development costs.

Summary Review of Operations

Imugene terminated its animal health vaccine portfolio in September 2012 after a final review. Imugene is a pharmaceutical business with a drug delivery platform at the centre of its assets focusing on consumer healthcare products and Vitamin D therapeutics.

Our three key messages are:

1. We have made rapid progress in advancing our technology for immediate returns;
2. We are committed to driving the business for the long term; and
3. Our strategy for new innovation and new drug development is fully on track.

Directors' Report (continued)

In February 2013, Imugene announced changes to its Board and Management structure with the appointment of Dr. Nicholas Ede as an Executive Director. Dr Ede has a record of successfully evolving research concepts to commercial products and processes. He has over 25 years' experience in drug discovery and international business development gained at Chiron (acquired by Novartis), EpiTX, Mimotopes, Adistem and Consegna.

Along with the appointment of Dr Ede, existing Non-Executive Director, Mr Steve Harris, stepped forward to fill the role of Non-Executive Chairman of the Company following the resignation of the former Executive Chairman, Mr Fabio Pannuti.

The new Director and management structure, together with the existing Non-Executive Director, Mr Paul Hopper, has taken a very prudent approach to all expenditure, drug development, and overhead expenses by cutting monthly cash burn to 20% of 2012 levels.

The Board and management team have also engaged The CFO Solution with whom they're working very closely with to manage all of the Company's financial and company secretarial functions, which has resulted in substantial cost and time savings allowing management to focus on fast-tracking its development programs.

Imugene continues to use outsource specialised professional partners and consultants to minimise its overall internal overhead, enabling maximum efficiency and focus from its personnel to generate product and early revenues.

During the twelve months ended 30 June 2013, the Company completed feasibility testing and formulation development for two initial Vitamin D formulations which have been enhanced using Imugene's proprietary Linguet drug delivery technology.

Consumer Healthcare

Imugene is developing firstly a vitamin D supplement tablet, which melts in the mouth, better known as a "meltlet". The novel formulation, which utilises the Company's Linguet™ technology, is designed to address issues of the unpleasant taste of vitamins, and alleviate the stress that millions of people face worldwide who suffer with difficulty in swallowing particularly different forms of vitamin tablets. During the year, Imugene commissioned its own research to firstly validate the issues people have with swallowing and secondly, confirm a melt-in-the-mouth tablet is a solution that is desired. Our research has been supported by discussions held with Australian nutraceutical companies. The vitamins and supplements industry is big business in Australia, worth an estimated \$1.5bn each year and the industry is growing at up to 12% annually.

Therapeutic Program

One-third of Australian adults are Vitamin D deficient.

Imugene will develop a prescription Vitamin D tablet for buccal delivery. Linguet supports "buccal" administration of drugs straight to the blood stream via absorption through the lining of the mouth. There are direct links between several diseases such as diabetes, cancer and chronic kidney disease and a deficiency of vitamin D.

Directors' Report (continued)

While current vitamin D supplements are available over the counter and by prescription, they do not deliver sufficient amounts or consistent amounts of Vitamin D due to the varying absorption of the drug when it is passed through the gastro-intestinal tract via an oral delivery method.

Commercialisation progress

Imugene's formulations of Vitamin D have now advanced through formulation development. There is a high level of interest amongst pharmaceutical and nutraceutical companies for new and innovative forms of Vitamin D given the rising rates of deficiency and the lack of novel dosage forms in development. Imugene has commenced preliminary licensing discussions for its nutritional supplement form of Vitamin D.

Events Occurring After Reporting Date

In August 2013, Imugene reported that after completing formulation development on its novel Linguet form of Vitamin D, it had progressed to commercialisation discussions with Australian vitamin manufacturers and suppliers.

In August 2013, Imugene also reported the official granting of a key Japanese patent application for the Company's novel drug delivery technology Linguet™ (patent no: 5256425), following on from an earlier allowance in March 2013.

In September 2013, Imugene announced the discontinuance of its ibuprofen programme.

In September 2013, Imugene reported that the European Patent Office had issued an Intention to Grant Communication for the Company's novel drug delivery technology Linguet™ (patent no. 062721354.6)

Significant changes in the state of affairs

Imugene terminated its animal health vaccine portfolio in September 2012 after a final review. Imugene is now a pharmaceutical business with a drug delivery platform at the centre of its assets focusing on consumer healthcare products and Vitamin D therapeutics.

Matters subsequent to the end of the financial year

There are no matters subsequent to the end of the financial year then than those disclosed elsewhere in this report.

Directors' Report (continued)

Information on directors

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

Dr Nicholas Ede - Executive Director	
Date of Appointment	11 February 2013
Experience & expertise	Dr Ede has a record of successfully evolving research concepts to commercial products and processes. He has over 25 years' experience in drug discovery and international business development gained at Chiron (now Novartis), EquiTX, Mimotopes, Adistem and Consegna. He has established joint ventures and partnerships with some of the leading pharmaceutical and biotechnology companies in the world, including a global alliance with the world's 4th largest biotechnology company Genzyme Inc, Invitrogen Inc, GSK, Pfizer, Merck, and the Broad Institute (a joint venture of Harvard and MIT) among others. He holds a PhD from Monash University and Graduate Certificate in Innovation from Melbourne Business School, and has published over 50 scientific papers and patents.
Other directorships in the past 3 years	Eden Peptide Pty Ltd & Mimotopes Pty Ltd
Committees	Audit committee
Interest in shares	605,556 ordinary shares
Interest in options	Nil
Mr Steve Harris - Non-executive Director	
Date of Appointment	1 August 2012
Experience & expertise	Mr Harris served as a Director of Development and Licensing with Medeva plc and brings over 50 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 directorships in the past 3 years	Cyrotec PLC & Proteome Sciences PLC
Committees	Audit committee
Interest in shares	Nil
Interest in options	Nil

Directors' Report (continued)

Mr Paul Hopper - Non-executive Director	
Date of appointment	31 October 2012
Experience & expertise	Mr Hopper has served as managing director of Cappello Group Inc since November 2005. He brings a strong knowledge of corporate governance issue to the Imugene Board, gained through board positions with a number of ASX listed companies including Viralytics (ASX:VLA) where he is currently Executive Chairman. In the last 5 years he has been a Director of Somnomed Limited (ASX:SOM), Isona Limited (ASX:ISN) and Firobell Science Inc. He is also currently a Director of pSivida Corp (NASDAQ:PSDV). In over 20 years in international public company markets he has gained experience in life sciences, biotechnology, nutraceuticals, speciality retail, medical & healthcare services and e-commerce.
Other directorships in the past 3 years	Viralytics Limited (ASX:VLA), pSivida Corp (ASX:PVA), BioLife Science Limited, Isona Limited (ASX:ISN) and Somnomed Limited (ASX:SOM)
Committees	Audit committee
Interest in shares	Nil
Interest in options	Nil
Dr Warwick Lamb - CEO & Managing Director until 31 October 2012	
Date of appointment	29 August 2002
Experience & expertise	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. Dr Lamb oversaw 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 formulated and executed a commercial strategy to license Imugene's intellectual property portfolio.
Date of resignation	31 October 2012

Directors' Report (continued)

Mr Fabio Pannuti - Executive Director & Chairman until 11 February 2013

Date of appointment	31 July 2012
Experience & expertise	Mr Pannuti 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.
Date of resignation	11 February 2013

Mr Roger Steinepreis - Non-executive Director until 1 October 2012

Date of appointment	29 January 2002
Experience & expertise	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.
Date of resignation	1 October 2012

Mr Graham Dowland - Non-executive Chairman until 31 July 2012

Date of appointment	29 August 2002
Experience & expertise	Mr Dowland is a qualified chartered accountant. He has been involved as significant shareholder, director or senior consultant/advisor with a number of public companies listed on the stock exchanges in Australia, Canada and the United Kingdom with operations internationally. These companies have been and continue to be involved in various industries including pharmaceutical research and development. Specifically human and animal biotechnology, gold mining and exploration, oil and gas exploration and production, manufacturing, industrial technology development and marketing. Mr Dowland has been involved in the development phase of numerous businesses that have achieved listings and capital raisings form the various major international stock exchanges.
Date of resignation	31 July 2012

Directors' Report (continued)

Company Secretaries

Mr Phillip Hains - Chief Financial Officer & Joint Company Secretary

Date of appointment	20 December 2012
Experience & expertise	Mr. Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.
Interest in shares	Nil
Interest in options	Nil

Mr Justyn Stedwell - Joint Company Secretary

Date of appointment	30 July 2012
Experience & expertise	Mr Stedwell is a professional Company Secretary with over seven years' experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining. He has completed a Bachelor of Business & Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and Graduate Certificate of Applied Finance with Kaplan Professional.
Interest in shares	Nil
Interest in options	Nil

Directors' Report (continued)

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each Director were:

Board Member	Full Board		Remuneration & Audit Committee	
	Attended	Held	Attended	Held
Nicholas Ede (appointed 11 February 2013)	4	4	1	1
Steve Harris (appointed 1 August 2012)	10	10	1	1
Paul Hopper (appointed 31 October 2012)	8	8	1	1
Fabio Pannuti (appointed 31 July 2012, resigned 11 February 2013)	5	5	-	-
Warwick Lamb (resigned 31 October 2012)	3	3	-	-
Roger Steinepreis (resigned 31 October 2012)	1	3	-	-
Graham Dowland (resigned 31 July 2012)	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The Remuneration Report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The 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. Relationship between the remuneration policy and group performance

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

Remuneration Governance

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.

Directors' Report (continued)

Non-executive directors

The maximum amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at a maximum of \$5,000 per director per month. 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. Superannuation contributions are paid into the executive's nominated superannuation fund.

Base pay

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

Short-term and long term incentives

Contractual agreements with key management personnel provide for the provision of incentive arrangements should these be introduced by the company. There are currently no short-term or long-term incentive schemes in place within the company.

Securities Trading Policy

The trading of Company's securities by employees and directors is subject to, and conditional upon, the Policy for Trading in Company Securities which is available on the Company's website (www.imugene.com)

Voting and comments made at the Company's 2012 Annual General Meeting

The company received more than 99% of 'yes' votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

Directors' Report (continued)

B Details of remuneration

Amounts of remuneration

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 key management personnel of the Group consisted of the following directors of Imugene Limited:

- Dr Nicholas Ede (appointed 11 February 2013)
- Mr Steve Harris (appointed 1 August 2012)
- Mr Paul Hopper (appointed 31 October 2012)
- Dr Warwick Lamb (resigned 31 October 2012)
- Mr Fabio Pannuti (appointed 31 July 2012, resigned 11 February 2013)
- Mr Roger Steinepreis (resigned 1 October 2012)
- Mr Graham Dowland (resigned 31 July 2012)

And the following persons:

- Mr Phillip Hains (appointed 20 December 2012)
- Mr Justyn Stedwell (appointed 30 July 2012)

Details of the remuneration of the KMP of the Group are set out in the following tables.

2013	Short term benefits			Post employment benefits	Long term benefits	Share based payments	Total \$	Value of remuneration not related to performance
	Cash salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Long service leave \$	Equity settled \$		
Non-executive Directors								
Roger Steinepreis	8,749	-	-	-	-	-	8,749	100%
Graham Dowland	1,835	-	-	928	-	-	2,763	100%
Steve Harris	54,518	-	-	-	-	-	54,518	100%
Paul Hopper	40,000	-	-	-	-	-	40,000	100%
Executive Directors								
Nicholas Ede	63,938	-	-	5,754	-	-	69,692	100%
Fabio Pannuti	103,817	-	-	-	-	-	103,817	100%
Warwick Lamb	283,606	-	-	20,656	-	-	304,262	100%
Other Key Management Personnel								
Justyn Stedwell (i)	12,000	-	-	-	-	-	12,000	100%
Phillip Hains (i)	72,800	-	-	-	-	-	72,800	100%
	641,263	-	-	27,338	-		668,601	

(i) Remunerated through the CFO Solution (see section c below and the Company Secretaries details above for further detail).

Directors' Report (continued)

2012	Short term benefits			Post employment benefits	Long term benefits	Share based payments	Total \$	Value of remuneration not related to performance
	Cash salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Long service leave \$	Equity settled \$		
Non-executive Directors								
Roger Steinepreis	29,496	-	-	-	-	-	29,496	100%
Graham Dowland	45,413	-	-	4,087	-	-	49,500	100%
Executive Directors								
Warwick Lamb	253,248	-	-	22,792	-	-	276,040	100%
Other Key Management Personnel								
Michael Sheppard	76,026	-	-	6,842	-	-	82,868	100%
	404,183	-	-	33,721	-	-	437,904	

C Service agreements

Executives

The employment conditions of the executive director, Dr Nicholas Ede are formalised in a contract of employment which commenced on the 11 February 2013. This contract stipulates a salary of \$180,000 pa, inclusive of superannuation and a termination period of four months.

Imugene Limited has a contract with The CFO Solution, a specialist public practice, focusing on providing back office support, financial reporting and compliance systems for listed public companies. Through this contact the services of Mr Phillip Hains and Mr Justyn Stedwell (from 20 December 2012) were provided. The contract commenced on 20 December 2012 and can be terminated with three months' notice of either party.

Non-executive Directors

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate and distinct.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company.

The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

The base fee for a non-executive director is presently \$60,000 pa, plus GST. Directors invoice the Company monthly for these amounts on a pro rata basis.

Directors' Report (continued)

Directors' fees cover all main board activities and committee memberships.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013. 2012 (\$nil).

Options

There were no options issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013. 2012 (\$nil).

E 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 Group's earnings and movement in shareholder wealth for the five years to 30 June 2013:

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	23,208	244,591	2,237,275	44,018	3,024,028
Net (loss) / profit before tax	(1,559,566)	(3,133,433)	179,539	(1,765,041)	252,500
Net (loss) / profit after tax	(1,559,566)	(3,133,433)	415,539	(1,535,041)	650,286

No dividends have been paid for the five years to 30 June 2013.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at start of year	\$0.01	\$0.03	\$0.03	\$0.07	\$0.07
Share price at end of year	\$0.004	\$0.01	\$0.03	\$0.03	\$0.07
Basic earnings / (loss) per share (cents)	(0.48)	(2.18)	0.29	(1.1)	0.5
Diluted earnings / (loss) per share (cents)	(0.48)	(2.18)	0.29	(1.1)	0.4

This concludes the Remuneration Report, which has been audited.

Directors' Report (continued)

Shares under option

Unissued ordinary shares of Imugene Limited under option as at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
09/08/2012	31/12/2015	\$0.02	50,000,000
			50,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

During the year ended 30 June 2013 the company did not engage the external auditor to provide non-audit services.

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Directors' Report (continued)

There are no officers of the company who are former audit partners of BDO Audit (WA) Pty Ltd.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors,



Dr Nicholas Ede
27 September 2013
Melbourne



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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor of Imugene Limited for the year ended 30 June 2013, 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.

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over a light blue horizontal line.

PETER TOLL

Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia
Dated 27 September 2013

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Corporate Governance Statement

Imugene Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Additional information about the Company's corporate governance practices is set out on the Company's website at www.imugene.com.

Board of Directors

Role of the Board

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Executive Director and assisting the Executive Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Executive Director or, if the matter concerns the Executive Director, then directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, Experience, Expertise of each Director

A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

Director Independence

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

From 31 October 2012, the Board has consisted of a majority of Independent Directors with two of three directors being independent. Non-Executive Directors Steve Harris and Paul Hopper are both Independent Directors. Executive Director Nicholas Ede is not an Independent Director.

Prior to 31 October 2012, the Board did not consist of a majority of independent directors as the presence of at least one independent director on the Board was seen as sufficient given the size of the Company and the Board and the nature of the Company's operations.

From 11 February 2013, the Board has been Chaired by Independent Director, Steve Harris. Prior to 11 February 2013, the Board was Chaired by Fabio Pannuti (31 July 2012 to 11 February 2013) and Graham Dowland (1 July 2012 to 31 July 2012) who were not Independent Directors. During this time, the Board believed it was appropriate to have the Chairman involved in the management of the Company. In situations that present a possible conflict of interest to the Chairman, the lead independent director will act as Chair.

The role of the Executive Director / CEO and the Chairman are not exercised by the same individual.

Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (re)Appointment of Directors

In determining candidates for the Board, the Remuneration and Nomination Committee follows a prescribed procedure whereby it evaluates the skills, experience and expertise of the existing Board. In particular, the Remuneration and Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Remuneration and Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance as well as the impact of Board tenure on succession planning. Each director other than the Executive Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer).

However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and there-appointment of directors is not automatic.

The Company's Policy and Procedures for the Selection and (Re) Appointment of Directors is available on the Company's website.

Board Committees

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee which consists of the three Board members and is Chaired by Independent Director, Steve Harris. Due to the size of the Company and the Board, the three Board members act as the Remuneration and Nomination Committee. The Remuneration and Nomination Committee Charter describes the role, composition, operations and responsibilities of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee consists of a majority of Independent Directors. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration and Nomination Committee by ensuring that the director with the conflict of interest is not party to the relevant discussion.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and may include performance incentives. Long-term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration and Nomination Committee Charter is available on the Company's website.

Audit Committee

The Board has established an Audit Committee, which consists of the three Board members and is Chaired by Independent Director, Paul Hopper. Due to the size of the Company and the Board, the three Board members act as the Audit Committee and carries out its functions in accordance with the Company's Audit Committee Charter which describes the role, composition, operations and responsibilities of the Audit Committee. Due to the size of the Company and the Board the Audit Committee does not consist of only non-executive directors. The Audit Committee consists of two non-executive Directors (who are also Independent Directors) and one Executive Director. The Audit Committee consists of a majority of Independent Directors.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Performance evaluation

Senior Executives

The Remuneration and Nomination Committee is responsible for evaluating the Executive Director and other key executives where performance is evaluated against key qualitative and quantitative key performance indicators. The evaluations are carried out by conducting a formal interview and review with senior executives annually. During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

Board, its Committees and Individual Directors

The Board conducts a formal self-evaluation process of the Board, its Directors and Committees through the completion of a survey and questionnaire by each director designed to evaluate Board, director and committee performance and identify areas of scope for improvement. Results from the self-evaluation review process are tabled and discussed and any appropriate practices to improve performance are implemented.

An evaluation of the Board, its committees, and individual directors commenced in accordance with the process disclosed above the 2013 financial year.

Ethical and Responsible Decision Making

Code of Conduct

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company's Code of Conduct is available on the Company website.

Diversity

The Company values the differences between its personnel and the valuable contribution that these differences can make to the Company.

At this stage, the Board does not consider it relevant to establish a diversity policy as the Company has no employees, but instead has administrative and technical services provided to it by consultants.

The Company will consider adopting a diversity policy in the 2014 financial year. As the Company's grows and requires the services of permanent staff, the Company does intend to recruit personnel at all levels from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

The Company does not have a diversity policy and therefore has not set any measurable objectives for achieving gender diversity. There are no employees in the organisation and there are no women in senior management positions or on the Board of Director's.

Policy for Trading in Company Securities

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees, and their "connected persons" (which includes spouses and controlled entities).

A copy of the Company's Policy for Trading in Company Securities can be found on the Company's website.

Continuous Disclosure

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule requirements and accountability at a senior executive level for that compliance.

The Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

Shareholder Communication

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is available on the Company's website.

Risk Management

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Executive Director, who is responsible for identifying, assessing, monitoring and managing risks. The Executive Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Executive Director may have unrestricted access to any Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- » the Board has established financial control procedures to manage expenditure commitments and approval of payments for both capital and operational expenditure;
- » preparation and approval of an annual budget;
- » the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- » the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has in place a formal system of managing its material business risks. This system includes a risk register which is prepared by management to identify the Company's material business risks and risk management strategies for these risks.

The risk register is reviewed and updated as required. Management reports to the Board on material business risks at each board meeting.

The categories of risk identified as part of the Company's risk management system:

- » Financial Reporting
- » Operational
- » Technological
- » Reputation
- » Legal and compliance

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Executive Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

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

Financial Statements

For The Year Ended 30 June 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013

		30 June 2013	30 June 2012
	Note	\$AUD	\$AUD
Revenue			
Total revenue	2	23,208	244,591
Other income	2	184,012	46,446
Expenses			
Amortisation		-	(170,570)
Business development		(392,821)	(84,102)
Corporate administration expenses		(691,312)	(373,451)
Commercialisation expenses		(51,305)	(488,248)
Research & development expenses		(603,321)	(285,436)
Impairment expenses	2	-	(2,089,175)
Unrealised foreign exchange (gain) / loss		(27,351)	68,049
Depreciation expense		(676)	(1,537)
Loss before tax		(1,559,566)	(3,133,433)
Income tax expense	4	-	-
Net loss after income tax		(1,559,566)	(3,133,433)
Total comprehensive loss for the year		(1,559,566)	(3,133,433)
Loss per share for the year attributable to members of Imugene Ltd:	26		
Basic loss per share (cents per share)		0.48	2.18
Diluted loss per share (cents per share)		0.48	2.18

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2013

	Note	30 June 2013 \$AUD	30 June 2012 \$AUD
Assets			
Current assets			
Cash & equivalents	5	565,629	1,016,748
Trade & other receivables	6	53,522	-
Current tax assets	7	-	266,672
Other	8	-	34,291
Total current assets		619,151	1,317,711
Non-current assets			
Property, plant & equipment	9	-	676
Goodwill	10	960,527	-
Intangible assets	10	1,004,817	-
Total non-current assets		1,965,344	676
TOTAL ASSETS		2,584,495	1,318,387
Liabilities			
Current liabilities			
Trade & other payables	11	160,991	138,758
Provisions	12	5,571	106,216
Total current liabilities		166,562	244,974
Non-current liabilities			
Other financial liabilities	13	531,467	-
Total non-current liabilities		531,467	-
TOTAL LIABILITIES		698,029	244,974
NET ASSETS		1,886,466	1,073,413
Equity			
Issued capital	14	17,280,072	14,907,453
Share-based payment reserve	15	966,003	966,003
Accumulated loss	15	(16,359,609)	(14,800,043)
TOTAL EQUITY		1,886,466	1,073,413

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2013

	Note	Contributed Equity \$AUD	Share based Payment Reserve \$AUD	Accumulated Losses \$AUD	Total \$AUD
Balance as at 1 July 2011		14,907,453	966,003	(11,666,610)	4,206,846
Total comprehensive loss for the year		-	-	(3,133,433)	(3,133,433)
Balance as at 30 June 2012		14,907,453	966,003	(14,800,043)	1,073,413
Total comprehensive loss for the year		-	-	(1,559,566)	(1,559,566)
Transactions with equity holders in their capacity as equity holder					
Shares issued	14	2,573,000	-	-	2,573,000
Capital raising costs	14	(205,381)	-	-	(205,381)
Options issued	14	5,000	-	-	5,000
Balance as 30 June 2013		17,280,072	966,003	(16,359,609)	1,886,466

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 2013

	Note	30 June 2013 \$AUD	30 June 2012 \$AUD
Cash flows from operating activities			
Receipts from customers		-	235,913
Payments to suppliers & employees		(1,815,905)	(1,500,109)
Other income		447,267	298,274
Net cash outflows from operating activities	25	(1,368,638)	(965,922)
Cash flows related to investing activities			
Loans to other entities		(5,721)	-
Interest received		23,208	8,679
Net cash inflows from investing activities		17,487	8,679
Cash flows related to financing activities			
Proceeds from issues of equity securities		1,133,000	-
Capital raising costs		(205,381)	-
Net cash inflows from financing activities		927,619	-
Net decrease in cash & cash equivalents		(423,532)	(957,243)
Cash & cash equivalents at the beginning of the period		1,016,748	1,905,942
Effects of exchange rate on cash & cash equivalents		(27,587)	68,049
Cash & cash equivalents at the end of the year	5	565,629	1,016,748

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1. Significant Accounting Policies

Corporate Information

The financial report of Imugene Limited and its subsidiaries (the 'Group') for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on the 27th day of September 2013. The financial report is for the Group consisting of Imugene Limited and its subsidiaries.

Imugene Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The principal activity of the Group is the research and development of drug delivery technologies.

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Continued from Note 1.
Going Concern

Some of the risks inherent in the development of pharmaceutical product include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development or may infringe intellectual property rights of other parties, and obtaining the necessary drug clinical regulatory authority approvals. Also a particular project may fail the research and the clinical development process through lack of efficacy or safety, or maybe stopped or abandoned due to strategic imperatives including an assessment that the projects will not deliver a sufficient return on investment or have been superseded by newer competitive products or technologies. There is a risk that the company will be unable to find suitable development or commercial partners for its projects, and that these arrangements may not generate a material return for the company.

Based on current budget forecast assumptions, the Group has sufficient funds to meet current commitments and to pay its debts when they fall due for a period of 12 months from signing the financial report. Additional funds will need to be accessed however to progress the groups research & development programs. The ability of the group to successfully access additional capital, and the amount of additional funds required is dependent on the outcome of its product research & development programs.

Notwithstanding the material uncertainty pertaining to the ability of the Group to continue to access additional capital, the financial statements have been prepared on a going concern basis. Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Amendments to Australian Accounting Standards

The following amending Standards have been adopted from 1 July 2012. Adoption of these Standards did not have any effect on the financial position or performance of the Group.

Ref	Title	Summary
AASB 2013-2	Amendments to AASB 1038 - Regulatory Capital	This Standard makes amendments to AASB 1038 Life Insurance Contracts as a consequence of changes to the Australian Prudential Regulation Authority's reporting requirements relating to life insurers, particularly Prudential Standard LPS 110 Capital Adequacy, applicable from 1 January 2013. Primarily the amendments align terminology by changing references to 'solvency' in AASB 1038 to 'capital'. A related explanatory paragraph is also removed.
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.

Continued from Note 1.

Ref	Title	Summary
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2012.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Group for the annual reporting period ended 30 June 2013:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 Jan 2013	No Impact	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.	1 Jan 2013	No Impact	1 July 2013

IMUGENE LIMITED AND CONTROLLED ENTITIES

ACN: 009 179 551

Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	No Impact	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 Jan 2013	No Impact	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 Jan 2013	No Impact	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 Jan 2013	No Impact	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 Jan 2013	No Impact	1 July 2013

IMUGENE LIMITED AND CONTROLLED ENTITIES

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Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 Jan 2013	No Impact	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	No Impact	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards -Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	No Impact	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	No Impact	1 July 2014

IMUGENE LIMITED AND CONTROLLED ENTITIES

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Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 Jan 2014	No Impact	1 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2015	The company is still determining if there will be any potential impact	1 July 2015

Continued from Note 1.

Accounting Policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Ltd as at 30 June 2013 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholder 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.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealized profits/losses arising within the consolidated entity are eliminated in full. Investments in subsidiaries are accounted for at cost in the individual financial statements of Imugene Limited.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest - control of the right to receive the interest payment.

Licensing revenue - right to receive the licensing revenue has been confirmed.

Research and Development Tax concession rebates are recognised upon lodgement of the group's income tax return which incorporates the registration for Research & Development Tax Incentive approved Innovative Australia made under section 27A of the Industry Research and Development Act 1986.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

Continued from Note 1.

Borrowing costs

Borrowing costs are expensed as incurred.

Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Continued from Note 1.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

An allowance for a doubtful debt is made when there is objective evidence that the Group will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the Financial Asset is past due and whether there is any other information regarding increased credit risk associated with the Financial Asset. Bad debts which are known to be uncollectible are written off when identified.

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 Executive Director.

Continued from Note 1.

Foreign currency translation

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australian dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.

All exchange differences are taken to profit or loss.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting loss nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting loss nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Continued from Note 1.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows arising from operating activities are included in the Cash Flow Statement on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. The net amount of GST recoverable from or payable to, the taxation authority is included as part of the receivables or payables in the Statement of Financial Position.

Plant and equipment

Plant and equipment are measured at cost or fair value less any accumulated depreciation and any impairment losses. Such assets are depreciated over their useful economic lives as follows:

	Life	Method
Plant and equipment	3-5 years	Straight line

Intangible assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Continued from Note 1.

Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not available for use, or more frequently when an indication of impairment arises during the reporting period.

Impairment of non-financial assets

The carrying values of non-financial 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. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Significant accounting estimates and assumptions

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

- **Impairment of intangible assets**

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cash flows 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. Refer to note 10 for more details.

- **Fair value of financial liability**

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

- **Acquisition accounting**

In accounting for the acquisitions made during the prior year, the Group had to make a number of judgements and estimates in determining the fair value of the amounts acquired and the purchase consideration paid/payable. Refer to note 16 for further details.

Continued from Note 1.

Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Licensing fees are recognised as an expense when it is confirmed that they are payable by the Group.

Provisions

Provisions are recognised when the Group 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.

Financial liabilities

Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in profit or loss over the period to maturity using the effective interest rate method.

Employee benefits

- **Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave payments expected to be settled within 12 months of the reporting date are recognised in other provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

- **Long Service Leave**

The liability for long service leave is recognised for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

- **Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Continued from Note 1.
Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

Earnings per share

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

- » costs of servicing equity (other than dividends);
- » the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- » other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Parent Information

The financial information for the parent entity, Imugene Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated statements.

Note 2. Revenue / Expenses

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Income		
Revenue		
Sub-license / contract research fees	-	235,912
Interest received	23,208	8,679
	23,208	244,591
Other income		
Income tax refund	184,012	-
Government grant	-	(11,715)
Other	-	58,161
	184,012	46,446
Expenses		
Impairment expense	-	(2,089,175)
Depreciation expense	(676)	(1,537)
Superannuation	(14,701)	(38,553)

Note 3. Segment Information

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

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Reportable segment revenue		
<i>Revenue, including interest income, is disclosed below based on the reportable segment:</i>		
Revenue from research, development and commercialisation	180,595	224,198
Revenue from other corporate activities	26,625	66,839
	207,220	291,037
Reportable segment assets		
<i>Assets are disclosed based on the reportable segment:</i>		
Asset from research, development and commercialisation	1,965,344	266,672
Assets from other corporate activities:		
Cash & cash equivalents	565,629	1,016,748
Other corporate assets	53,522	34,967
	2,584,495	1,318,387
Reportable segment liabilities		
<i>Liabilities are disclosed based on the reportable segment:</i>		
Liabilities from research, development and commercialisation	692,458	138,758
Liabilities from other corporate activities:		
Trade & other payables	-	-
Other corporate liabilities	5,571	106,216
	698,029	244,974
Reportable segment profit / (loss)		
<i>Profit/ (loss) are disclosed below based on the reportable segment:</i>		
Profit/ (loss) from research, development and commercialisation	(1,047,447)	(2,835,171)
Profit/ (loss) from other corporate activities	(512,119)	(298,262)
	(1,559,566)	(3,133,433)

Note 4. Income Tax Expense

The Group has not commenced significant trading. At its current stage of operational development the Group is not in a position to satisfy the accounting criteria of AASB112: Income Taxes to bring to account the benefit of its tax losses. Accordingly no current or deferred income tax benefits have yet been brought to account.

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Income Tax Expense		
(a) Income tax expense		
• Current tax	-	-
• Deferred tax	-	-
Income Tax Expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
• Loss from continuing operations before income tax expense	(1,559,566)	(3,133,433)
• Tax at the Australian statutory income tax rate of 30% (2012:30%)	(467,870)	(940,030)
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income</i>		
• Non assessable R&D grant income	(55,204)	-
• Non allowable expenses	196,388	120,397
• Tax losses & other timing differences for which no DTA is recognised	326,686	819,633
Income Tax Expense	-	-
(c) Unrecognised deferred tax assets		
The balance comprises temporary differences attributable to:		
• Carried forward tax losses	2,316,842	1,973,270
• Carried forward capital losses	227,529	227,529
• Intangible assets	850,181	850,181
• Other	78,445	33,716
Total Unrecognised Deferred Tax Assets	3,472,996	3,084,697

Note 5. Cash & Cash Equivalents

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Cash at bank & in hand (AUD)	565,629	46,480
Cash at bank & in hand (USD)	-	970,268
	565,629	1,016,748

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 17.

Note 6. Trade & Other Receivables

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Trade receivables	47,801	-
Amounts receivable from other entities	5,721	-
	53,522	-

Past due but not impaired

The group did not have any receivables that were past due as at 30 June 2013 (30 June 2012: Nil). The group did not consider a credit risk on the aggregate balances as at 30 June 2013. For more information, please refer to note 17 Financial Instruments, Risk Management Objectives and Policies.

Note 7. Tax Assets

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Research & development tax concession receivable	-	266,672
	-	266,672

Note 8. Current Assets - Other

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Share placement - prepaid costs	-	34,291
	-	34,291

Note 9. Property, Plant & Equipment

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Plant & Equipment		
At cost	24,089	24,089
Accumulated depreciation	(24,089)	(23,413)
Total plant & equipment	-	676

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

Plant & Equipment

Carrying amount at beginning of year	676	2,213
Additions	-	-
Depreciation expense	(676)	(1,537)
Carrying amount at the end of year	-	676

Note 10. Intangible Assets

		Consolidated	
	Note	30 June 2013 \$AUD	30 June 2012 \$AUD
Patents, licenses & other rights			
Opening cost		3,027,920	5,117,095
Additions	16, (i)	1,004,817	-
Impairment charge	(iii)	-	(2,089,175)
Closing cost		4,032,737	3,027,920
Accumulated amortisation at the end of the year			
		(3,027,920)	(3,027,920)
Opening net book amount		-	2,259,745
Closing net book amount	16	1,004,817	-
Goodwill			
Opening cost		-	-
Additions	(ii)	960,527	-
Impairment charge		-	-
Closing cost	16	960,527	-

- (i) On 31st July 2012, the Company acquired 100% of issue shares of Lingual Consegna Pty Ltd from Consegna Group Limited. The assets acquired include the Linguet Patented Buccal Delivery intellectual property. For further details, please refer to Note 16 Business Combination and Note 13 Other Financial Liabilities.
- (ii) In the absence of readily available market prices, the recoverable amounts of the intangible assets are determined based on a discounted cash flow model, using estimates of the present value of future cash flows using asset-specific discount rates.

At 30 June 2013, the Board has reviewed the assumptions used in the discounted cash flow model that was used to evaluate the carrying value of the newly acquired Linguet Patented Buccal Delivery intellectual property and believe the assumptions remain reasonable. The Board has resolved to maintain the carrying value of the intellectual property at its current level and no impairment has been charged. The Board will re-evaluate the carrying value of the intellectual properties at 31 December 2013.

As at 30 June 2013, the carrying value of the intellectual properties is \$1,004,817 (30 June 2012: nil).

Refer to Note 16 Business Combination.

- (iii) At 30 June 2012, the Board had resolved to impair the carrying value of the intellectual property to nil due to considerations outlined below:

- » The global licence agreement with Novartis was terminated during the financial year 2011-2012, with an 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.

Note 11. Trade & Other Payables

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Trade payables	96,736	116,879
Other payables	64,255	21,879
	160,991	138,758

*Please Refer to Note 17 for further details on financial instruments

Note 12. Provisions

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Employee benefits - annual leave	5,571	106,216
	5,571	106,216

The current provision for employee benefits includes accrued annual leave. The entire amount of the provision of \$5,571 (2012: \$106,216) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

Note 13. Other Financial Liabilities

	Note	Consolidated	
		30 June 2013	30 June 2012
		\$	\$
Expected future royalties payable	16	531,467	-
		531,467	-

The expected future royalties payable arose from the acquisition of Lingual Consegna Pty Ltd on 17 July 2012. The value of the royalty payable has been determined by preparing a DCF model using the following key assumptions (which have been determined with reference to a comparable licensing transaction as well as considering other data).

- » Expected royalty - 15%
- » Probability of having to pay the royalty - 25%
- » Present value of the royalty stream of approximately \$14.172 million determined using an expected upfront payment \$5 million and recurring royalty stream of \$6 million per annum for a period of 13 years, discounted using a rate 25%

Note 14. Issued Capital

	Note	30 June 2013		30 June 2012	
		No.	\$AUD	No.	\$AUD
Ordinary shares	14(a)	376,162,516	17,275,072	143,637,220	14,907,453
Options	14(b)	50,000,000	5,000	-	-
Total at reporting date		426,162,516	\$17,280,072	143,637,220	\$14,907,453

Movements in equity during the year ended 30 June 2013 and prior year are set out below:

(a) Ordinary shares

	Note	30 June 2013		30 June 2012	
		No.	\$AUD	No.	\$AUD
At the beginning of the period		143,627,220	14,907,453	143,637,220	14,907,453
Shares issued during period	(i)	232,525,296	2,367,619	-	-
Total at reporting date		376,162,516	\$17,275,072	143,637,220	\$14,907,453

Rights of each type of share

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.

(i) Details of shares issued during the period

Date	Details	Number	Issue Price \$AUD	\$AUD
31/07/2012	Share placement	95,000,000	0.0100	950,000
31/07/2012	Acquisition of Lingual Consegna Pty Ltd	100,000,000*	0.0140	1,400,000
04/06/2013	Share purchase plan	33,888,932	0.0054	183,000
12/02/2013	Shares issued to corporate consultants	3,636,364	0.0110	40,000
	Transaction costs in relation to share issue	-	-	(205,381)
		232,525,296		\$2,367,619

* 100,000,000 shares were released from escrow period on 31 July 2013.

(b) Options

	Note	30 June 2013		30 June 2012	
		No.	\$AUD	No.	\$AUD
At the beginning of the period		-	-	-	-
Options issued during period	(i)	50,000,000	5,000	-	-
Total at reporting date		50,000,000	\$5,000	-	-

continued from Note 14.

(i) Details of options issued during the period

Date	Details	Number	Issue Price \$AUD	\$AUD
30/08/2012	Unlisted advisor options (IMUAK) exercisable at \$0.02, expire on 31 December 2015*	50,000,000	0.0001	5,000
		50,000,000		\$5,000

* The general terms and conditions of the options were:

- » Life of 3.4 years from date of issue
- » No dividends or voting rights attached
- » Exercise price set at a premium to share price at date of entitlement.
- » Vested at issue
- » All shares allotted upon the exercise of Options will rank pari passu in all respects with other shares

Note 15. Reserves & Accumulated Losses

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
a) Share-based payment reserve		
Opening balance	966,003	966,003
Closing balance	966,003	966,003
b) Accumulated losses		
Opening balance	(14,800,043)	(11,666,610)
Net profit / (loss) for the year	(1,559,566)	(3,133,433)
Closing balance	(16,359,609)	(14,800,043)

Note 16. Business Combination

On 17 July 2012, the Company 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.

(a) Consideration

	\$AUD
Ordinary shares 100,000,000 in Imugene Limited at \$0.014 per share *	1,400,000
Total Purchase Consideration	1,400,000

* The issue price is based on the closing share price of Imugene Limited shares quoted on the ASX on the date of acquisition. These shares were released from the escrow period on 31 July 2013.

continued from Note 16.

(b) Fair value

	Note	Book value \$AUD	Fair value adjustments \$AUD	Total \$AUD
Assets				
Cash & cash equivalents		-	-	-
Intangible assets		2,859,591	(1,854,774)	1,004,817
Total Assets		2,859,591	(1,854,774)	1,004,817
Liabilities				
Trade & other payables		(33,877)	-	(33,877)
Expected future royalties payable	13	(2,386,241)	1,854,774	(531,467)
Total Liabilities		(2,420,118)	1,854,774	(565,344)
Fair Value of Identifiable Net Assets		439,473	-	439,473
Goodwill				960,527
Total Purchase Consideration				1,400,000

The net loss attributable to the acquired entity, Lingual Consegna Pty Limited for the period from acquisition date to 30 June 2013 was \$191,630. Costs related to the acquisition for the period were \$8,081.

Refer to note 13 for details of expected future royalties liability acquired.

Note 17. Financial Instruments, Risk Management Objectives & Policies

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.

A written policy has been adopted for overall risk management.

(a) Financial Instruments

The Company's financial instruments are detailed below:

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Cash & cash equivalents	565,629	1,016,748
Trade & other receivables	53,522	-
Trade & other payables	160,991	138,758

The Company does not have any derivative instruments at 30 June 2013.

continued from Note 17.

(b) Risk management policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Company, with Management performing a regular review of:

- » the major risks that occur within the business;
- » the degree of risk involved;
- » the current approach to managing the risk; and
- » if appropriate, determine:
 - ❖ any inadequacies of the current approach; and
 - ❖ possible new approaches that more efficiently and effectively address the risk.

Management report risks identified to the Board through the monthly Operations Report.

The Company seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

(c) Significant accounting policy

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables represents their fair values determined in accordance with the accounting policies disclosed in note 1.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and trade and other payables are disclosed in notes 6 and 11.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of equity attributed to equity holders of the Company, comprising contributed equity, reserves and accumulated losses disclosed in notes 14 and 15. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Company's Management the Board monitors the need to raise additional equity from the equity markets.

continued from Note 17.

(e) Financial risk management

The main risks the Company is exposed to through its operations are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest Rate Risk

The Company is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

To manage interest rate risk, the Company locks a portion of the Company's cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Company's cash flow forecast.

Interest rate risk is considered when placing funds on term deposits. The Company considers the reduced interest rate received by retaining cash and cash equivalents in the Company's operating account compared to placing funds into a term deposit. This consideration also takes into account the costs associated with breaking a term deposit should early access to cash and cash equivalents be required.

Foreign Exchange Risk

The Group's exposure to foreign exchange risk is assessed to be insignificant.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Group. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Risk is also managed by investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of financial assets at the end of the reporting period, including the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provision) as presented in the Consolidated Statement of Financial Position.

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk as follows:

- » preparation of cash flow analyses related to its operating, investing and financing activities;
- » obtaining funding from a variety of sources;
- » managing credit risk related to financial assets; and
- » investing surplus funds with reputable financial institutions.

continued from Note 17.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities is as follows:

2013	Weighted average effective interest rate %	Floating interest rate \$AUD	Non interest bearing \$AUD	Fixed interest bearing \$AUD	Total \$AUD
Financial assets:					
Cash & cash equivalents	2.51	565,629	-	-	565,629
Trade & other receivables		-	53,522	-	53,522
Total financial assets		565,629	53,522	-	619,151
Financial liabilities:					
Trade & other payables		-	160,991	-	160,991
Other financial liabilities		-	531,467	-	531,467
Total financial liabilities		-	692,458	-	692,458
Net financial assets /(liabilities)		565,629	(638,936)	-	(73,307)

2012	Weighted average effective interest rate %	Floating interest rate \$AUD	Non interest bearing \$AUD	Fixed interest bearing \$AUD	Total \$AUD
Financial assets:					
Cash & cash equivalents	0.55	1,016,748	-	-	1,016,748
Trade & other receivables		-	-	-	-
Total financial assets		1,016,748	-	-	1,016,748
Financial liabilities:					
Trade & other payables		-	138,758	-	138,758
Total financial liabilities		-	138,758	-	138,758
Net financial assets /(liabilities)		1,016,748	(138,758)	-	877,990

continued from Note 17.

Maturity profile

	Carrying Amount		Contractual Cash Flow		Within 1 Year		1 - 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets:										
Cash & cash equivalents	565,629	1,016,748	565,629	1,016,748	565,629	1,016,748	-	-	565,629	1,016,748
Trade & other receivables	53,522	-	53,522	-	53,522	-	-	-	53,522	-
Total financial assets	619,151	1,016,748	619,151	1,016,748	619,151	1,016,748	-	-	619,151	1,016,748
Financial liabilities:										
Trade & other payables	160,991	-	160,991	-	160,991	-	-	-	160,991	-
Other financial liabilities	531,467	-	531,467	-	-	-	531,467	-	531,467	-
Total financial liabilities	692,458	-	692,458	-	160,991	-	531,467	-	692,458	-

(f) Net Fair Values

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value.

(g) Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs (level 3)).

In 2013 and 2012, none of the Group's assets and liabilities had their fair value determined using the fair value hierarchy.

continued from Note 17.

(h) Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to change in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

2013	Interest Rate Risk				Other Price Risk			
	-1% Net result	-1% Equity	1% Net result	1% Equity	-5% Net result	-5% Equity	5% Net result	5% Equity
Cash	565,629	(5,656)	5,656	5,656	(28,281)	(28,281)	28,281	28,281
Total increase / (decrease)	(5,656)	(5,656)	5,656	5,656	(28,281)	(28,281)	28,281	28,281

2012	Interest Rate Risk				Other Price Risk			
	-1% Net result	-1% Equity	1% Net result	1% Equity	-5% Net result	-5% Equity	5% Net result	5% Equity
Cash	1,016,748	(10,167)	10,167	10,167	(50,837)	(50,837)	50,837	50,837
Total increase / (decrease)	(10,167)	(10,167)	10,167	10,167	(50,837)	(50,837)	50,837	50,837

Note 18. Key Management Personnel Disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 30 June 2013 \$AUD	30 June 2012 \$AUD
Short term employee benefits	641,263	404,183
Post employee benefits	27,338	33,721
Long term benefits	-	-
Share based payments	-	-
	668,601	437,904

continued from Note 18.

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Balance at date of appointment	Received as part of remuneration	Additions pre-consolidation	Additions	Disposals/ Other	Balance as at date of resignation	Balance at the end of the year
2013								
Ordinary shares								
Nicholas Ede (appointed 11 February 2013)	-	-	-	-	605,556	-	-	605,556
Steve Harris (appointed 1 August 2012)	-	-	-	-	-	-	-	-
Paul Hopper (appointed 31 October 2012)	-	-	-	-	-	-	-	-
Fabio Pannuti (appointed 31 October 2012, resigned 11 February 2013)	-	-	-	-	-	-	-	n/a
Warwick Lamb (resigned 31 October 2012)	8,670,002	-	-	-	-	-	8,670,002	n/a
Roger Steinepreis (resigned 1 October 2012)	-	-	-	-	-	-	-	n/a
Graham Dowland (resigned 31 July 2012)	7,667,576	-	-	-	-	-	7,667,576	n/a
	16,337,578	-	-	-	605,556	-	16,337,578	605,556
2012								
Ordinary shares								
Graham Dowland (resigned 31 October 2012)	7,667,576	-	-	-	-	-	n/a	7,667,576
Warwick Lamb (resigned 1 October 2012)	8,670,002	-	-	-	-	-	n/a	8,670,002
Roger Steinepreis (resigned 31 July 2012)	-	-	-	-	-	-	n/a	-
Michael Sheppard	272,248	-	-	-	-	-	272,248	-
	16,609,826	-	-	-	-	-	272,248	16,337,578
Option Holding								

There were no options over ordinary shares in the parent entity held during the current or previous financial year by any director or other members of key management personnel.

Related Party Transactions

Related party transactions are set out in Note 21.

Note 19. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by BDO (WA) Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Audit service - BDO Audit (WA) Pty Ltd		
Audit or review of the financial statements	40,939	41,363
	40,939	41,363

** no non-audit services have been provided by BDO Audit (WA) Pty Ltd during the 2013 and 2012 financial years.*

Note 20. Commitments & Contingencies

There are no commitments or contingencies that are not disclosed elsewhere in this report.

Note 21. Related Party Transactions

Parent entity

Imugene Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the Remuneration Report in the Directors' Report.

	Note	Consolidated	
		30 June 2013	30 June 2012
		\$	\$

Transactions with related parties:

The following transactions occurred with related parties

Payment for goods & services *:

Inverness Group Holdings Pty Ltd	(i)	139,521	-
Steinepreis Paganin	(ii)	9,847	23,127
Vestpec Pty Ltd	(iii)	-	21,000
Aurora Oil & Gas Limited	(iv)	-	90,000
Consegna Group Limited	(v)	201,017	-

** excludes cash salaries and directors fees which are disclosed in note 18.*

continued from Note 21.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Note	Consolidated	
		30 June 2013	30 June 2012
		\$	\$
Current (payables) / receivables:			
Inverness Group Holdings Pty Ltd	(i)	-	-
Steinepreis Paganin	(ii)	-	-
Vestpec Pty Ltd	(iii)	-	-
Aurora Oil & Gas Limited	(iv)	-	-
Consegna Group Limited	(v)	5,721	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes:

- (i) During the year, Inverness Group Holdings Pty Ltd, a company of which Mr Fabio Pannuti is a Director and beneficial shareholder, provided a serviced office, administrative and marketing services as well as reimbursements for overseas expenditure to the Company. For the year ended 30 June 2013, the Group paid \$139,521 (2012: Nil) to Inverness Group Holdings Pty Ltd and this has been recognised in the financial statements as an expense.
- (ii) During the year, Steinepreis Paganin, a company of which Roger Steinepreis is a Director and beneficial shareholder, provided legal services to the company. For the year ended 30 June 2013, the Group paid \$9,847 (2012: \$23,127) to Steinpreis Paganin and this has been recognised in the financial statements as an expense.
- (iii) During the year, Vestpec Pty Ltd, a company of which Dr Warwick Lamb is a Director and beneficial shareholder, provided a serviced office and other administrative services to the Company. For the year ended 30 June 2013, the Group paid Nil in 2013 (2012: \$21,000) to Vestpec Pty Ltd and this has been recognised in the financial statements as an expense.
- (iv) During the year, Aurora Oil and Gas Limited, a company of which Mr Graham Dowland is a Director and beneficial shareholder, provided a serviced office (in Perth) and other administrative services to the Company. For the year ended 30 June 2013, the Group paid Nil in 2013 (2012: \$90,000) to Aurora Oil and Gas Limited and this has been recognised in the financial statements as an expense.
- (v) During the year Consegna Group Limited of which Mr Fabio Pannuti was a director, provided management services to the group. As at 30 June 2013, the group paid \$201,017 to Consegna Group Limited and this has been recognised in the financial statements as an expense. As at 30 June 2013 \$5,721 was receivable to the group, representing a refund of overpaid management fees.

Note 22. Parent Entity Information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss & other comprehensive income	Parent	
	30 June 2013	30 June 2012
	\$	\$
Income / (Loss) after income tax	(1,559,566)	(2,785,410)
Total Comprehensive Income / (Loss)	(1,559,566)	(2,785,410)
Statement of Financial Position		
Current assets	619,151	358,220
Non-current assets	1,965,344	1,217,525
Total Assets	2,584,495	1,575,745
Current liabilities	166,562	502,332
Non-current liabilities	531,467	-
Total liabilities	698,029	502,332
Net Assets	1,866,466	1,073,413
Equity		
Issued capital	17,280,072	14,907,452
Reserves	966,003	966,003
Accumulated losses	(16,356,609)	(14,800,883)
Total Equity	1,866,466	1,073,413

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 23. Subsidiaries

Country of Incorporation		Equity Holding	
		2013	2012
		%	%
Name of Entity			
Brightsun Investments Pty Ltd	Australia	100	100
Vectogen Pty Ltd	Australia	100	100
BioMimic Technologies Pty Ltd	Australia	100	100
Paragen Pty Ltd	Australia	100	100
Lingual Consegna Pty Ltd	Australia	100	-

Note 24. Events after the reporting period

There were no events subsequent to the reporting date of 30 June 2013 that have not been disclosed elsewhere in this report.

Note 25. Reconciliation of net loss after income tax to net cash from operating activities

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
(a) Reconciliation of cash flow from operations with loss after income tax		
Loss for the period attributable to owners of parent entity	(1,559,566)	(3,133,433)
Depreciation expense	676	172,106
Interest income	(23,208)	(8,679)
Equity issued for nil consideration	45,000	-
Impairment of asset	-	2,089,175
Foreign exchange adjustments	27,587	(68,049)
(Increase) / decrease in accounts receivable	(13,510)	218,260
Decrease in accounts payable	(11,649)	(235,303)
Decrease in provisions	(100,645)	(35,170)
Cash flow from operations	(1,368,643)	(965,922)

(b) Non-cash financing and investing activities

There has been no event not already disclosed elsewhere in the Annual Report.

Note 26. Earnings per share

	Consolidated	
	30 June 2013	30 June 2012
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company (cents per share)	(0.48)	(2.18)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company (cents per share)	(0.48)	(2.18)
Loss used in calculation of basic / diluted earnings / (loss) per share		
Loss	1,559,566	3,133,433
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	325,864,427	143,637,220

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors



Dr Nicholas Ede
Executive Director

27 September 2013
Melbourne, Australia



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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 statements of financial position as at 30 June 2013, the consolidated statement of profit or loss and other 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 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 1, 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 company'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 company'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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



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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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, as disclosed in the financial report, Imugene Limited incurred a net loss of \$1,599,566 during the year ended 30 June 2013 and is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt over the entity's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Peter Toll
Director
Perth, 27 September 2013

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Shareholder Information

The shareholder information set out below was applicable as at 24 September 2013.

Number of Holders of Equity Securities

Ordinary shares

378,162,516 fully paid ordinary shares are held by 1,970 individual holders.

All ordinary shares carry one vote per share.

Distribution of ordinary fully paid shares		Ordinary shares	
Holding Ranges	No. of holders	Total units	
1 - 1,000	525	144,802	
1,001 - 5,000	274	888,719	
5,001 - 10,000	269	2,058,133	
10,001 - 100,000	585	20,807,399	
100,001 +	318	354,263,463	
Totals	1,970	378,162,516	
Unmarketable parcels	1,567	16,485,947	

Twenty largest ordinary full paid shareholders

	Holder name	Number	%
1	Consegna Group Limited	25,000,000	6.61
2	Tisia Nominees Pty Ltd <Henderson Family A/C>	18,900,000	5.00
3	JK Nominees Pty Ltd <The JK Fund A/C>	18,250,000	4.83
4	Delin Nominees Pty Ltd	17,500,000	4.63
5	Wainford Holdings Limited	12,835,207	3.39
6	Mr Jason Peterson + Mrs Lisa Peterson <J&L Peterson S/F A/C>	11,500,000	3.04
7	Barnaby Investments Pty Ltd <Super Fund A/C>	10,500,000	2.78
8	Elmswood Holdings Pty Ltd	10,000,000	2.64
9	Frederick Erini Pty Ltd <Frederick Erini S/F A/C>	10,000,000	2.64
10	Webinvest Pty Ltd <Olsb Unit A/C>	10,000,000	2.64
11	Celtic Capital Pty Ltd <The Celtic Capital A/C>	9,984,500	2.64
12	Dr Warwick Lamb	8,395,002	2.22
13	Keyfin Pty Ltd <Miser Super Fund A/C>	7,027,778	1.86
14	Comsec Nominees Pty Limited	5,434,981	1.44
15	Catapult Investors Pty Ltd	5,000,000	1.32
16	Mrs Jeanette Hahn	5,000,000	1.32
17	Yambali Pty Ltd <Laurie Zeaiter A/C>	4,800,000	1.27
18	Avalon Valley Pty Ltd <GR & TJ Dowland S/F A/C>	4,708,000	1.24
19	Mr Bradley Allan Sully	4,611,249	1.22
20	Jadig Superannuation Pty Ltd <The Gringlas Super Fund A/C>	4,000,000	1.06
Total of top 20 shareholders		203,446,717	53.80
Total balance of remaining shareholders		174,715,799	46.20
Total issued capital		378,162,516	100

IMUGENE LIMITED AND CONTROLLED ENTITIES

ACN: 009 179 551

Shareholder Information continued.

Substantial Shareholders

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial Shareholders	Number of Shares
Consegna Group Limited	25,000,000
Tisia Nominees Pty Ltd <Henderson Family A/C>	18,900,000
Total number of shares held by substantial shareholders	43,900,000



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LIMITED

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