SelectVaccines LIMITED

# Investor Update
## June 2007

Select Vaccines has progressed on a number of fronts this year. These include advances with the development programs, securing commercial partners, intellectual property development and additions to the Board and Management teams. The business strategy has been aligned to focus on the vaccines programs which we believe will bring the best return to shareholders.

### VACCINES PROGRAM UPDATE

**AVANT Immunotherapeutics Deal**

Equity investment of A$875,000
R&D milestone payments and royalties
Access to a GMP facility

In February we announced a licensing deal with US based vaccine developer AVANT Immunotherapeutics. Under the terms of this agreement AVANT has invested A$875,000 in equity, becoming a cornerstone shareholder and will fund up to three vaccine development programs with us incorporating our Virus Like Particle (VLP) technology. AVANT will make R&D payments on completion of milestones, thus reducing the cost of the development programs for Select Vaccines. Royalties on the sale of products will also be paid to Select Vaccines.

The first program under the agreement will explore an influenza vaccine which will cater to both seasonal and pandemic forms of influenza. AVANT has taken an exclusive option to commercialise the influenza vaccines. AVANT will make milestone payments for the Influenza program, subject to positive progress, totaling A$44 million over time.

The collaboration is progressing well and the Company has already received two R&D payments from AVANT.

**THE GLOBAL VACCINE MARKET**

The global vaccine market is expected to top $10 billion this year and $23.8 billion by 2012, according to an analyst report released in February.

Pediatric vaccines have historically dominated this field, but adult vaccines will see a big spike due to increased uptake of influenza and hepatitis vaccines, predicts a report from Kalorama Information in the US.

Adult vaccines will rise from $3.7 billion (their total worth in 2005) to $7.5 billion in 2012. The report projects the combined global adult and pediatric vaccine markets will total $15 billion by 2012. The fastest growing segment in the adult vaccines area is influenza vaccines. Flu vaccines, which are forecast to grow by 13.2 percent, will top $4 billion by 2012. Hepatitis vaccines, with a projected growth rate of 8-9 percent, are the second fastest growing. Hepatitis vaccines are projected to reach $1.5 billion by 2012.

There is a growing interest in the use of VLP technology in vaccine development due to the success of hepatitis B vaccines that use this approach. The success of Merck/CSL's Gardasil vaccine for HPV has further increased interest in the area.

As part of its commitment to the vaccines side of the business the Company recently appointed two new scientists to its vaccine R&D team. The appointments include Senior Development Scientist, Dr Peter Williamson, who previously worked at Neutec Pharma in the UK until it was acquired by Novartis and Dr Anna Hearps from Monash University who acts as a Research Officer for the Select Vaccines group at the Burnet.

Manufacturing is a key element in the vaccine development programs and is a precursor to taking the vaccines into clinical trials. We are currently in late stage negotiations with contract manufacture organisations in the US and Europe to conduct feasibility studies utilizing their proprietary expression systems for industrial scale production of our VLPs in yeast and mammalian cells. These organisations all have the capability to manufacture to GMP (Good Manufacturing Practice) standards which is an essential prerequisite to conducting trials under international guidelines.

## ANTIVIRAL PROGRAM UPDATE

Our antiviral program focuses on the development of drugs against picornavirus infections. This group of infections includes encephalitis, meningitis, myocarditis and rhinovirus infections. Rhinovirus infections account for approximately 50% of common colds. The estimated market for picornavirus therapies is in excess of US$400 million.

Testing of a portfolio of compounds has been completed and subject to resources and funding, we aim to move into the lead selection phase this year. This will be followed by a lead optimization program in 2008 in preparation for pre-clinical studies.

The intention is to find a commercial partner for the further development of the lead compounds. In addition to ongoing discussions with our existing commercial supporter with a view to expanding the existing agreement we are actively involved in discussions with other potential commercial partners. Our aim is to secure a partner as soon as possible in order to accelerate the discovery program.

## DIAGNOSTIC PROGRAM UPDATE

The focus on our diagnostics program has been shifted towards seeking partners for these programs who will either license the technology or co-develop it with Select Vaccines.

We have developed a highly specific and sensitive polyclonal antibody for avian influenza.

A limitation on currently available diagnostics for avian (H5) influenza is the ability to detect all strains.

Our latest technology in this field detects all H5 strains available to our laboratory.

We are seeking commercial partners to co-develop or license this reagent and as part of this process we have shipped kits to potential partners for evaluation.

**PATENTS – AN ESSENTIAL PART OF A BIOTECH BUSINESS**

Patents or intellectual property provide the life blood of any biotech or pharmaceutical business. Without them the products can be copied by anyone and you cannot protect the investment your company has made in developing the products.

Our work on the anti-viral project has led to the filing of a new provisional patent application on a novel mechanism of action that we discovered. This discovery allows the use of molecular modelling as a method of drug discovery.

## BOARD & MANAGEMENT UPDATE

In February your Board of Directors was strengthened with the appointment of Mr Shane Allan as a Non-Executive Director. Shane brings extensive experience in capital markets and financial management to the Board and has been appointed as Chairman of the Audit Committee.

In April Select Vaccines appointed Mr Richard Wadley as Chief Financial Officer and Company Secretary. Richard specialises in providing financial and company secretarial services to life science companies and has considerable experience in the areas of investor relations, financial management and capital raisings. We express our gratitude to Phillip Hains who recently resigned as Company Secretary after serving the company since its inception.

**FOR MORE INFORMATION PLEASE CONTACT:**

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