Investor Update
December 2007

Select Vaccines has enjoyed an eventful six months to December, with progress on several fronts. The pandemic flu vaccine program moved forward significantly during our partnership with AVANT Immunotherapeutics Inc, although that relationship will now end on 31 December 2007. The development of our virus-like particle (VLP) manufacturing processes has accelerated and met with success in the first stage of the feasibility study recently conducted by our European manufacturing subcontractor.

The CEO, Martin Soust, attended the BioPartnering Europe conference in London recently and gave a short presentation about Select, which initiated discussions with representatives from other organizations attending the conference. A number of meetings were pre-arranged to take place over the two day conference and the Company will build on these discussions to generate further interest in the VLP technology.

The antiviral program has received a boost, with the acceptance for publication of a key scientific paper on the mechanism of our patented inhibitors. The paper, "Amiloride Derivatives Inhibit Coxsackievirus B3 RNA Replication", will be published in the prestigious Journal of Virology and can be purchased and read online via the website, http://jvi.asm.org.

Vaccines Program Update

The two leading VLP vaccines, pandemic Influenza and Hepatitis C Virus (HCV), have moved forward significantly over the last quarter. With the assistance of R&D payments from AVANT Immunotherapeutics, the flu project has been advanced significantly and is progressing at a faster than anticipated rate.

AVANT recently announced a merger with Celldex Therapeutics, and has, as a result of the merger agreement pulled out of the flu vaccine partnership with us for strategic reasons. Under the terms of our partnership with AVANT, Select Vaccines will retain 100% of the intellectual property that came from this relationship. In the time spent working together, the Company also benefited substantially from the resources AVANT invested in the project.

Select will now expand its efforts to pursue new partners for the VLP programs, and maintain the current rate of progress towards its manufacturing goals. We have found that different vaccine candidates that we are making require different production processes so we are establishing stable co-expression systems for our VLP vaccines in yeast and in mammalian cells. This body of work is scheduled to finish by mid-2008.

What are Protein Expression Systems?

Proteins are the key building blocks in all living organisms, from bacteria and yeast to plants and mammals. They are built by cells using instructions encoded in DNA, in a process known as “expression”.

Virus-like Particles (VLPs) are built mainly from protein, so to produce them, we use engineered biological systems based on yeast or mammalian cells. Although both types of cells produce protein from DNA, the way in which they do it differs between species. Not all species are equally suited to producing all proteins. For this reason, Select is developing two parallel expression systems for large-scale VLP manufacture, one in yeast and one in mammalian cells.

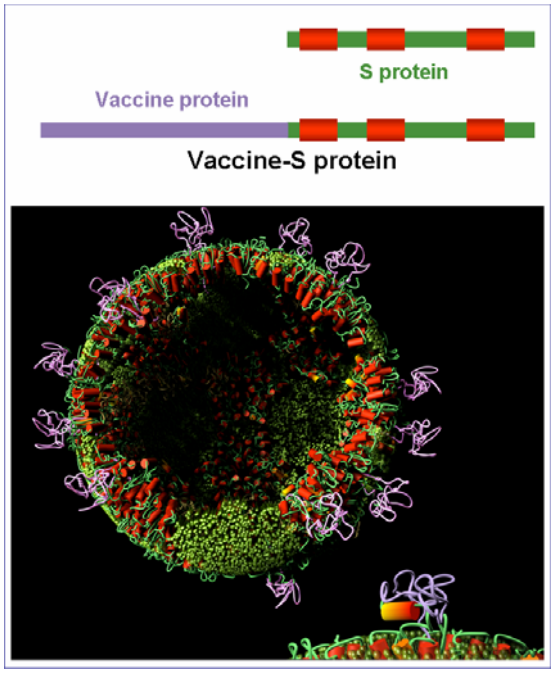
VLP Manufacturing Development

Recent advances in large-scale manufacturing of our VLPs have been achieved, using our European subcontractor’s patented yeast expression system.

A feasibility study on the expression of "empty" VLPs containing only the universal S protein (red and green protein in the figure below) produced excellent results, and work has now commenced on production of VLPs containing the haemagglutinin protein of avian (H5) influenza virus (purple, red and green protein in the figure below).

The S protein is "core" to the VLPs and the second protein (shown in purple in the figure below) is unique to each VLP vaccine product. Both proteins are required to make the VLP vaccine product.

The subcontractor's proprietary expression system has significant advantages in the production of different proteins in different relative amounts. This should prove beneficial for the production of Select's H5 influenza VLPs in the first instance and other VLP vaccine candidates in the future.



The Company has shown that "empty" VLPs made up of the S protein only (seen in red and green) can be made in a new yeast–based system that can be scaled up to commercial manufacturing levels. We have now moved to producing the VLPs including the vaccine protein (in this case haemagglutinin, which is shown in purple) in the new system. Both the S-protein and the protein shown in purple are required to construct the VLP vaccine product.

Select recently commenced a study using mammalian cell culture (with a cell line that is approved by regulatory authorities) to produce HCV VLPs, and we expect to see the results in Q2, 2008. This study is being carried out in North America as part of an outsourced contract.

The Company is establishing two systems for the production of its vaccine products, which will strengthen the technology, enable it to further develop its current vaccine candidates and, ultimately make them more attractive to a larger group of potential commercial partners. We expect that a given vaccine product will be better suited to one or other production system, and that potential partner companies will have preferences for working with specific systems.

As a result of these contracts, the Company will be in a position to manufacture material that can be put to use in toxicology studies and, in the future, clinical trials.

Select is investigating the potential value of some of the influenza antibodies that have been produced in the vaccine program for their use as diagnostic reagents.

Intellectual Property Update

The first patent covering the Company's antiviral technology was granted by the Australian Patent Office in November. In addition, the Company recently filed a second international (PCT) patent application that covers the VLP technology. This enhances and extends the protection afforded by the Company's pending VLP vaccine patents.

Financial Update

At the end of the September reporting quarter Select Vaccines had cash totaling $2.2 million. It is anticipated that the Company has funds available to continue operations through 2008. Due to the termination of the AVANT Immunotherapeutics license agreement Select will be reviewing cash flow to ensure that key value points are reached. These will include the completion of the protein-production studies being carried out in both yeast and mammalian cells. The license will not terminate until the end of 2007 and payments will continue from AVANT until that time.

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