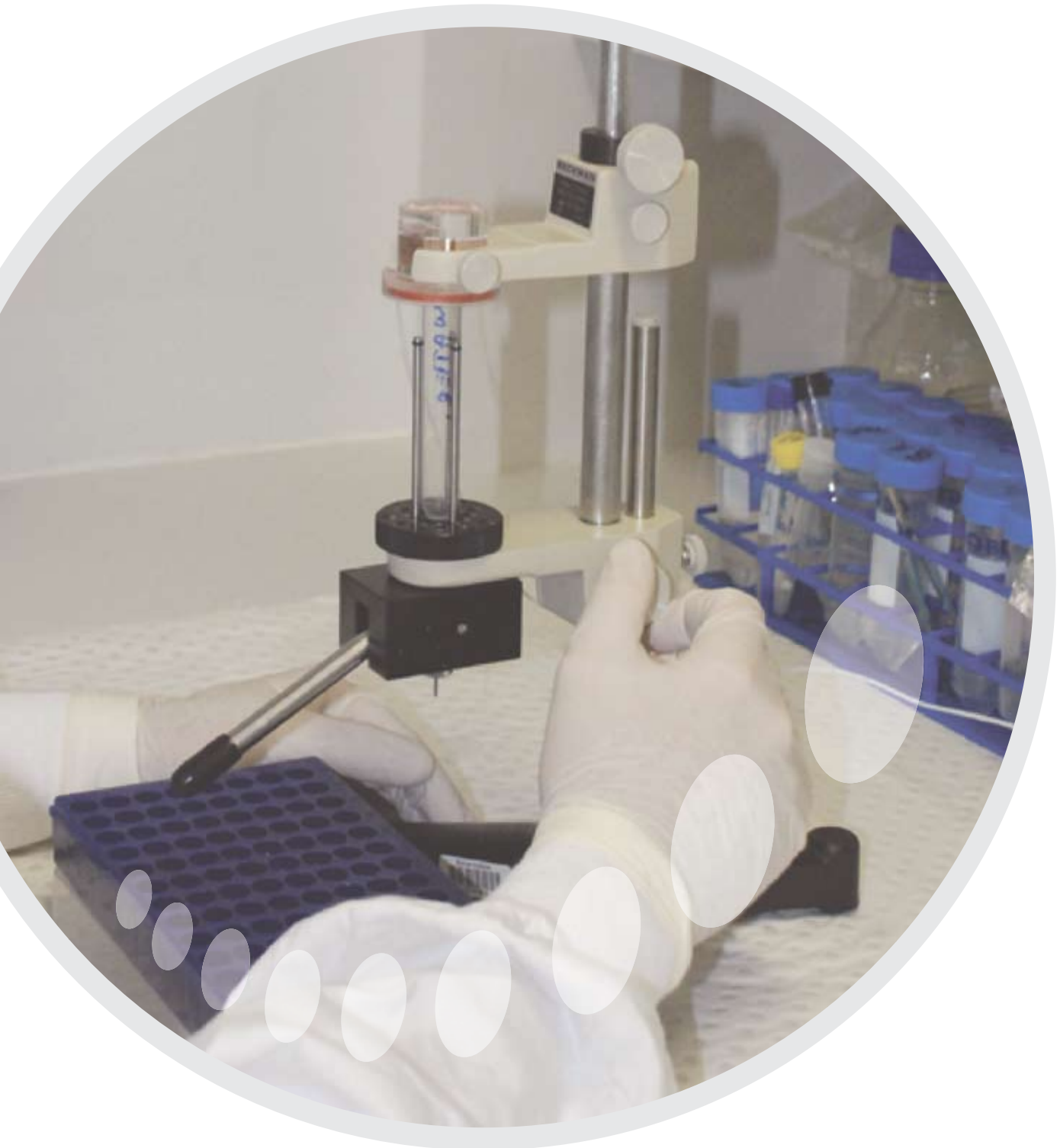


ANNUAL REPORT 2007



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Your Company has made significant progress and Select Vaccines is in an excellent position to move forward on the basis of developments over the past 12 months. As we move into 2008, several of our VLP vaccines are moving ahead in pre-clinical testing and we look forward to reporting the results to you in due course.

Letter from the Chairman and Managing Director

Dear Shareholders,

It has been an exciting and busy year for Select Vaccines. Looking back on the year, we would like to highlight the progress we have made as a Company and the status of our operations today.

The Company's aim is to bring our Virus-Like-Particle (VLP) vaccines to the clinic in the shortest possible time. During the year we have made significant progress towards this goal. At the time of our last annual report we had identified manufacturing partners for our vaccines. The VLP vaccine manufacturing program was accelerated during the year and co-expression systems using both yeast and mammalian cell culture are near completion. These systems will provide scaled-up production of the materials for preclinical toxicology studies and future clinical trials, key elements in moving our VLP technology to the market.

Our partnering arrangement with AVANT Immunotherapeutics ceased in November when, due to strategic reasons arising from a merger and a change of focus, AVANT terminated its license for the development of the pandemic influenza VLP vaccine. However, Select Vaccines is now in a stronger position to secure a license for its influenza VLP vaccine on the basis of the work completed to date. During the course of our relationship with AVANT, significant progress was made with the development program that also benefited our other lead VLP vaccine candidate for Hepatitis C, which will be undergoing additional pre-clinical testing in 2008.

The Company developed a second influenza VLP late in 2007 which we believe will garner significant interest from potential partners. This second influenza VLP has the potential to be both a pandemic or pre-pandemic vaccine in addition to applications as a seasonal influenza vaccine.

This product will be entering pre-clinical trials in 2008 with results expected by the close of Q3 2008. The key benefits of this second influenza vaccine are that it may be complementary to our first influenza VLP vaccine, and it has the potential to offer protection across a wider variety of influenza types.

The antiviral program has progressed to the stage where it is ready for partnering, and the first patent was granted on this technology late in 2007. Further studies over the year elucidated the mechanism of action of the anti-picornavirus compounds and led to a scientific paper being published recently in the prestigious Journal of Virology. We believe that this will encourage interest in the program from potential partners.

We continue to actively manage our operating costs and overheads. Due to a number of changes introduced by the Board during the year we have been able to achieve significant reductions in expenditure across all aspects of our operations. Our cost containment program will continue to focus on administrative overheads as we expand our research and development. We anticipate a rise in the associated costs of these activities as our technologies develop further and our programs are advanced. We will investigate all opportunities for both equity and grant funding to continue to ensure we can fund the advances that will generate greater shareholder value.

In terms of the Company's intellectual property we have submitted several new patent applications which will increase the strength of our patent portfolio. We are committed to building this portfolio and to maintaining our patent applications as they progress through the patent offices in various jurisdictions. Later in this report you will find a status report covering our intellectual property portfolio.

During the year Shane Allan joined the Board of Directors and Richard Wadley joined as Chief Financial Officer and Company Secretary. We have benefited from their contributions to the Board's deliberations and will continue to gain from their experiences. In addition, David Anderson, our Chief Scientific Officer, was awarded the prestigious Frank Fenner Award by the Burnet Institute in recognition of his work in the areas of virology, diagnostics and vaccines.

Letter from the Chairman and Managing Director CONT.

Your Company has made significant progress and Select Vaccines is in an excellent position to move forward on the basis of developments over the past 12 months. As we move into 2008, several of our VLP vaccines are moving ahead in pre-clinical testing and we look forward to reporting the results to you in due course.

Finally and on a personal note, we would like to express our special appreciation to the Board of Directors, the executive team and to you, the shareholders of Select Vaccines, for the support that you have given us during the year.

Yours faithfully,



Robin Beaumont
Chairman



Martin Soust
Managing Director

Review of Operations

TECHNOLOGY DEVELOPMENT

Select Vaccines has made considerable progress with its Virus-Like Particle (VLP) vaccines for influenza and Hepatitis C, the manufacturing development for the VLPs, and in the discovery of the mechanism of action for the antiviral program.

In February 2007 Select Vaccines signed a significant licensing deal with AVANT Immunotherapeutics for the development of a pandemic influenza vaccine. This agreement gave AVANT the option to develop other VLP candidates from Select Vaccines' pipeline over time and also resulted in AVANT buying slightly more than 11% of the Company.

In November 2007, as a result of a merger agreement with Celldex Therapeutics, AVANT terminated the influenza vaccine partnership for strategic reasons. Under the terms of the partnership, Select Vaccines will retain 100% of the intellectual property that came from this relationship. In the time spent working together, the Company benefited substantially from the resources AVANT invested in the project.

VACCINES

“Global vaccine market anticipated to grow from the current \$10 billion level to in excess of \$15 billion by 2012”
: Kalorama Information Vaccines Report

Select Vaccines' lead vaccine candidates both made good progress, and new manufacturing systems are being developed under contract. We plan to progress pre-clinical testing with these newly synthesized vaccines in 2008.

Influenza VLPs

The pandemic influenza vaccine program moved forward significantly during our partnership with AVANT Immunotherapeutics Inc, although that relationship ended on 31 December 2007, and is progressing at a faster than anticipated rate. The Company's pandemic influenza vaccine candidate is due to proceed into formal preclinical testing using materials manufactured to the standards required for subsequent clinical studies in humans. The objectives of the preclinical program in 2008 are to determine whether the vaccine candidate elicits a specific immune response, and to establish a manufacturing proof-of-capability. The

manufacturing development program will produce vaccine materials to Good Manufacturing Practice (GMP) standards which are internationally recognised and an essential prerequisite to conducting human clinical trials.

In December Select Vaccines produced a new influenza vaccine candidate. This new Virus-Like Particle (VLP) vaccine contains a specific protein that is being targeted by vaccine companies worldwide because it offers the potential for protection against multiple strains of type A influenza, including the bird influenza, H5N1. This approach has the potential to overcome the need for annual vaccine reformulations and, as all pandemic influenza strains are type 'A', it could also be a potential vaccine against pandemics. The first successful vaccine of this type is expected to be an attractive new product in the fight against influenza. This new influenza VLP, the second VLP vaccine targeting influenza, has been manufactured in yeast at laboratory scale.

The Company will be conducting early preclinical work on this second vaccine candidate in Q1 2008 to test for preliminary indications of immune response. Results from this work are expected in Q3 2008.

Hepatitis C VLP

Following last year's successful preliminary immunogenicity studies of our second-generation Hepatitis C VLP vaccine we have focused on developing a manufacturing system that will produce new vaccine material for use in toxicology studies and ultimately in clinical trials. This year we will be examining this vaccine, produced in the newly developed system, in further preclinical studies before preparing for formal toxicology studies using material made according to the standards demanded by Good Laboratory Practice (GLP).

MANUFACTURING DEVELOPMENT

Industrial scale VLP production technology is a critical aspect in vaccine development. The Company is establishing two cell culture systems, mammalian cell culture and yeast culture, 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.

Review of Operations CONT.

Manufacturing is a key element in the vaccine development programs and is a precursor to taking the vaccines into clinical trials. During the partnership with AVANT, Select Vaccines engaged two contractors to help build stable co-expression systems that could be used to manufacture our vaccines, and Select Vaccines now has the rights to these essential technologies. These manufacturing systems provide the opportunity to produce vaccines to GLP and GMP standards. 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. Initial development of scalable yeast and mammalian cell culture expression systems is due for completion by Q2 2008.

Yeast expression system

Recent advances in large-scale manufacturing of the VLPs have been achieved, using a European subcontractor's patented yeast expression system. A feasibility study on the expression of "empty" VLPs containing only the universal S protein produced excellent results, and work has now commenced on production of VLPs containing the haemagglutinin protein of avian (H5) influenza virus.

The S protein is "core" to all our VLPs and the second protein 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 Vaccines' H5 influenza VLPs in the first instance and other VLP vaccine candidates in the future.

Select Vaccines is currently on schedule with its manufacturing program to produce VLP vaccines from a preferred industrial-scale yeast-based expression system in Q1 2008. The European subcontractor assisting with the development of the yeast system is well advanced in the production of the second and final component of the VLP vaccines. This signifies an important manufacturing goal as the yeast expression system will provide the essential proof-of-capability to manufacture target VLPs in yeast on a commercial scale.

Mammalian cell culture system

The Company is also progressing with a US subcontractor to produce the Hepatitis C VLP vaccine candidate in a suitable industrial-scale mammalian cell culture expression system.

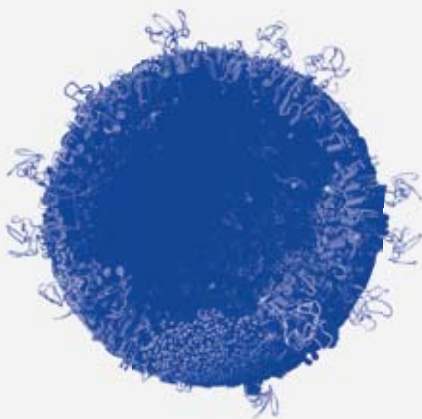
Select Vaccines is nearing the completion of a manufacturing development study using mammalian cell culture (with a cell line that is approved by regulatory authorities) to produce HCV VLPs, and we will test these materials in further preclinical studies in 2008.

ANTI-VIRALS

"Rhinovirus infections account for approximately 50% of common colds. The estimated market for picornavirus therapies is in excess of US\$400 million, a highly attractive market for pharmaceutical companies"

: Antivirals: Global Anti-Infectives Market

The antiviral program focuses on the development of small molecule antiviral drugs against picornavirus infections. This group of infections includes encephalitis, meningitis, myocarditis and rhinovirus infections.



Testing of a portfolio of compounds has been completed. The work on the antiviral project has led to the filing of a new provisional patent application on a novel mechanism of action that we discovered. The Company's intention now is to find a commercial partner for the further development of the lead compounds. We are actively involved in discussions with other potential commercial partners and our aim is to secure a partner as soon as possible in order to accelerate the discovery program.

The antiviral program received validation with the publication of a key scientific paper on the mechanism of Select Vaccines' patented inhibitors. The paper, "Amiloride Derivatives Inhibit Coxsackievirus B3 RNA Replication", was published in the prestigious Journal of Virology.

DIAGNOSTICS

As indicated in the last annual report, the focus in our diagnostics program has been shifted towards seeking partners to either license the technology or co-develop it with Select Vaccines.

Select Vaccines' licensee of the Hepatitis E diagnostic test, MP Biomedical Asia Pacific (Singapore), has advised us that they have experienced extensive and unanticipated delays in the regulatory system in China but expect to commence sales of the product during the first half of 2008.

The Company developed a highly specific and sensitive polyclonal antibody for avian influenza for use in the Influenza VLP Vaccine development program. A limitation on currently available diagnostics for avian influenza is the ability to detect all strains. Select Vaccines' latest technology in this field detects all H5 strains available to us. 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.

INTELLECTUAL PROPERTY

As part of the of the Company's ongoing development of its intellectual property, additional patents were filed during the year when appropriate to further secure the patent portfolio surrounding Select Vaccines' technologies.

Work on the anti-viral project led to the filing of a new provisional patent application on a novel mechanism of action.

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

PERSONNEL

During the year the Company has made significant investments in its scientific personnel and has also strengthened the Board and the Management team.

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

In April Mr Richard Wadley was appointed as Chief Financial Officer and Company Secretary. Richard has considerable experience in financial and company secretarial services for the life science industry, and extensive knowledge of investor relations, financial management, and capital raisings.

In December Associate Professor David Anderson, Chief Scientific Officer, was awarded the Burnet Institute 2007 Frank Fenner Award, in recognition of his work over many years in the areas of virology, diagnostics and vaccines and the commercial and medical application of these discoveries. The Award is named in honour of Professor Frank Fenner, one of Australia's most distinguished scientists, who played a major role in the global eradication of smallpox and was responsible for the control of Australia's rabbit plague through the introduction of myxomatosis. The Award is made for individuals whose work has made a major contribution to implementing the vision of the Burnet Institute.

Review of Operations CONT.

As part of its commitment to the vaccines side of the business, the Company appointed two new scientists to its vaccine research and development 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.

PARTNERING

The attendance of conferences to meet potential partners and collaborators and to present the outcomes of our research and development activities is of paramount importance to the Company. Over the course of the year Select Vaccines has attended a number of such meetings including:

- World Vaccine Congress
- BIO International Convention
- Pfizer Australia – Biotechnology Partnering Summit
- BioPartnering Europe
- Australian Influenza Symposium.

Now that Select Vaccines has reacquired the rights to its influenza VLP, efforts to pursue new partners for the VLP programs and maintain the current rate of progress towards its clinical goals will be expanded. The technology has moved ahead during the relationship with AVANT and this may lead to a more favourable deal being struck with a new partner in the future.

Select Vaccines will be actively seeking partners for the antiviral program and the VLP vaccine candidates in 2008.

FINANCE

The Company continues to monitor its cash position closely, finishing the year with cash of \$1,639,337. Research and development expansion has been significant. This is mainly due to the partnership with AVANT which has contributed \$579,181 towards research expenditures. The loss for the year was \$1,321,460 compared to \$2,517,023 in the previous year.

OUTLOOK

In the coming year we expect a number of milestones will be met. It is anticipated that the manufacturing program will finish development by mid-2008 with stable co-expression systems established for the production of our VLPs in both yeast and mammalian cells. Results from further studies involving three of the VLP vaccines will be available during 2008. In addition, our licensee anticipates that sales of our Hepatitis E diagnostic in China will commence in the first half of the year.

PATENT STATUS REPORT

1. VLP PATENT – VIRAL VECTOR

Our Ref	Country	Application No.	Status as at 13 February 2008
12437050	International (PCT)	PCT/AU2004/00511 Published as WO 2004/092387	International phase completed
12442820	Australia	2004231119	Live - pending
12442840	Europe	04727789.2	Live – pending
12671230	People's Republic of China	200480013729.7	Live – pending
12442870	United States	10/553,683	Live - pending

2. VLP PATENT – VIRAL VECTOR-II

Our Ref	Country	Application No.	Filing date
30312889	International	PCT/AU2007/001241	29 August 2007

3. DIAGNOSTICS PATENT – BINDING ASSAY COMPONENTS

Our Ref	Country	Application No.	Status as at 13 February 2008
12531680	International (PCT)	PCT/AU2004/001522	International phase completed
12545260	Australia	2004287894	Live – pending
12759950	Brazil	PI0416270.6	Live – pending
12545280	Europe	04796971.2	Live – pending
12545290	Japan	2006-538597	Live – pending
12759960	People's Republic of China	200480039821.0	Live – pending
12545310	United States	10/578,147	Live – pending

4. DIAGNOSTICS PATENT – METHODS OF DIAGNOSIS AND KIT THEREFORE

Our Ref	Country	Application No.	Status as at 13 February 2008
30133671	United States	11/604,169	Live – pending

Review of Operations CONT.

5. ANTIVIRAL PATENT – ANTI-VIRAL COMPOUNDS

Our Ref	Country	Application No.	Status as at 13 February 2008
2609498	International (PCT)	PCT/AU03/00093	International phase completed
12173030	Australia	2003202298	Granted
12173040	Canada	2474821	Live – pending
12173050	Europe	03700694.7	Live – pending
12173060	Japan	2003-563559	Abandoned
12478110	New Zealand	534292	Live – pending
12478100	People's Republic of China	03804954.6	Live – pending
12173070	United States of America	10/503,324	Live – pending

6. ANTIVIRAL PATENT – A METHOD OF DRUG DESIGN

Our Ref	Country	Application No.	Filing date
30145046	Australia	2006906948	13 December 2006
30438300	International (PCT)	PCT/AU2007/001930	13 December 2007

Corporate Governance

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of the changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Best Practice Recommendations. All Charters and Policies are available from the Company or on its Website www.selectvaccines.com.au

ROLE OF THE BOARD AND MANAGEMENT

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are detailed in its Board Charter and cover the following broad categories:

- 1 Leadership of the organisation
- 2 Strategy formulation
- 3 Overseeing planning activities
- 4 Shareholder liaison
- 5 Monitoring, compliance and risk management
- 6 Company finances
- 7 Human resources
- 8 Health, safety and well-being of Directors, Officers and Contractors
- 9 Delegation of authority
- 10 Remuneration policy
- 11 Nomination policy

STRUCTURE AND COMPOSITION OF THE BOARD

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and being of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated on pp. 12 to 14 along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry.
- The Company striving to have a number of Directors being independent as defined in the ASX Corporate Governance Guidelines.
- Some major Shareholders being represented on the Board.

There is a majority of Directors classified as being 'Independent'. The Board believes that it can continue to attract Directors with the appropriate industry experience.

However, where any Director has material personal interest in a matter and, in accordance with the Corporations Act, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Director's independence is not jeopardised.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

ETHICAL AND RESPONSIBLE DECISION-MAKING

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis with the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Corporate Governance CONT.

INTEGRITY IN FINANCIAL REPORTING

In accordance with the Board's policy, the CEO and CFO have made attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

The Company has a duly constituted Audit, Risk and Compliance Committee. The current members of the Committee, as at the date of this report, and their qualifications are detailed in the Directors' Profiles on pp. 12 to 14.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit, Risk and Compliance Committee are contained on page 18.

TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASX 'Listing Rules', the Company immediately notifies the ASX of information concerning the Company:

- 1 That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
- 2 That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

RIGHTS OF SHAREHOLDERS

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

- 1 Communicating effectively with Shareholders through ongoing releases to the market via ASX information and General Meetings of the Company;
- 2 Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
- 3 Making it easy for Shareholders to participate in General Meetings of the Company; and
- 4 Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

Any shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the ASX's website www.asx.com.au

RECOGNISE AND MANAGE RISK

The Audit, Risk and Compliance Committee has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

The CEO and CFO have given a statement to the Board that:

- a) In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- b) The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

ENCOURAGE ENHANCED PERFORMANCE

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. The Board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

During the reporting period, questionnaires were circulated to all members of the Board to conduct individual and group performance evaluations. These questionnaires were collated and analysed, providing the Board with valuable feedback and evaluation for future development.

During the year, all Directors have full access to all Company records and receive Financial and Operational Reports at each Board Meeting.

All new Directors undergo an induction program.

REMUNERATE FAIRLY AND RESPONSIBLY

Profiles of members and details of meetings of the Remuneration and Nomination Committee are detailed on pp. 12 to 14 and 18 of the Directors' Report.

The Committee is responsible for, but not limited to :

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company.
- Approving the design of Executive and Employee incentive plans (including equity-based plans) and proposed payments or awards under such plans.
- Reviewing performance hurdles associated with incentive plans.
- Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- Succession planning for the CEO and Senior Executive Officers.
- Performance assessment of the CEO and Senior Executives.
- Recommending policy on the selection of Board Members.
- Recommending prospective Board Members to the Full Board of the Company.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Current remuneration is disclosed in Note 5: Key Management Personnel Compensation.

LEGITIMATE INTERESTS OF STAKEHOLDERS

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

Directors' Report



Your Directors present their report on the Company and its controlled entities for the financial year ended 31 December 2007.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Robin Beaumont

Chairman, Independent
Dip. App. Chem, MBA

Experience

Board member since 9 June 2005, appointed Chairman 17 August 2005, Mr Beaumont (aged 66) was Managing Director of the Advent venture capital and private equity group until 1988 and represented Advent's interests as a director of five investee companies - Primary Health Care, Benchmark Mutual Hospital Group, The Preston Group, Tower Technology and the Ayers Rock Resort Company. Prior to joining Advent he had more than ten years of strategy consulting experience, preceded by senior management positions in the Pacific Dunlop group.

Mr Beaumont has also been the Chairman of Primegro Limited since 2003 and the Cooperative Research Centre for Diagnostics since 2004 and is a former Director of Ruralco Limited.

Interest in Shares and Options

4,625,000 Ordinary Shares: 525,000 Options over Ordinary Shares.

Directorships in listed public companies over the past 3 years

Director of EvoGenix Limited since 2004 and Gropep Limited from 1999 until December 2006 and Arana Therapeutics Limited since 2007.

Special responsibilities

Member of the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee.

Martin Soust

Managing Director
BSc (Hons), MBA, PhD

Experience

Board member since 1 April 2003, Dr Soust (aged 47) has managed technology businesses for several years. Prior to that he focussed on the provision of management consulting services to small/medium sized enterprises in the biomedical sciences field and consulted on commercialisation of several research and development projects. He has held senior management positions and has acquired extensive experience in commercial negotiations, research and development planning, and technical and commercial management of complex projects. Dr Soust has been Managing Director of Select Vaccines since 2003.

Interest in Shares and Options

798,124 Ordinary Shares: 800,229 Options over Ordinary Shares.

Directorships in listed public companies over the past 3 years

Director of Premier Bionics Limited from 2001 to 2005.

Special responsibilities

Nil.



George Weber

Non-Executive Director, Independent Associate of Arts Degree, University of Minnesota

Experience

Board member since 19 May 2004, Mr Weber (aged 64) has a strong background in the commercialisation of life sciences. Originally from the United States, Mr Weber worked with Eli Lilly and Johnson & Johnson in a variety of sales and management functions that included responsibility for the marketing and sales of pharmaceutical, instrumentation, implant and diagnostic products. The latter included responsibility for Hepatitis C tests marketed by Ortho-Clinical Diagnostics (a division of Johnson & Johnson) in conjunction with Chiron Inc.

Since the early 1990's Mr Weber has run his own medical marketing consultancy. Clients have included ResMed Ltd, Universal Biosensors Pty Ltd and Chiron Inc. In July 2003, Mr Weber was appointed Managing Director of Chiron Vaccines Australia. Since its takeover by Novartis he has remained on as Country Manager, Australia, Novartis Vaccines.

Interest in Shares and Options

360,000 Ordinary Shares: 500,000 Options over Ordinary Shares.

Directorships in listed public companies over the past 3 years

Nil Directorships held.

Special responsibilities

Member of the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee.



Ian Cooke

Non-Executive Director, Independent BSc (Hons), PhD, M IP Law, MBA

Experience

Board member since 19 May 2004, Dr Cooke (aged 52) is currently the Managing Director of CNSBio Pty Ltd, a new venture capital-funded biotechnology company specialising in the development of combination therapies for the treatment of pain. He was formerly an Associate Director (Research & Development) at the Macfarlane Burnet Institute for Medical Research and Public Health where he was responsible for the overall management of the Burnet Institute's major research activities, with a particular focus on the commercialisation of emerging technologies developed by the Institute's scientists. Dr Cooke also holds the part-time position of Principal Analyst at Foursight Associates Pty Ltd, a Melbourne-based life sciences and technology consultancy, where he provides advice to private equity funds and other clients regarding potential investments in the biotechnology arena.

Prior to joining the Burnet Institute in 1997, Dr Cooke was Associate Professor of Biology at Deakin University, following postdoctoral research fellowships at Princeton University and AT&T Bell Laboratories in the USA and a Queen Elizabeth II Research Fellowship at Monash University.

Dr Cooke is also a director of Human Genome Sciences Pacific Pty Ltd, the Australian subsidiary of the NASDAQ-listed biopharmaceutical company Human Genome Sciences Inc.

Interest in Shares and Options

56,000 Ordinary Shares: Nil Options over Ordinary Shares.

Directorships in listed public companies over the past 3 years

Nil Directorships held.

Special responsibilities

Member of the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee.



Directors' Report CONT.

Shane Allan

Non-Executive Director, Independent
BCom, MBA

Experience

Board member since 14 February 2007, Mr Allan (aged 58) has extensive experience in capital markets and financial management. He has served previously as CEO of Powertel Limited, and Chairman of SelecTV Broadcasting Limited. He was Director of Finance and Director of Corporate Services at Telstra as well as Finance Director of Davids Limited, Computer Power Group Limited and Repco Corporation Limited, Orion Telecommunications Limited and Big Air Group Limited.

Interest in Shares and Options

Nil.

Directorships in listed public companies over the past 3 years

Chairman of Zing Mobile Group Limited and Non-Executive Director of Commander Communications Limited.

Special responsibilities

Chairman of the Audit, Risk and Compliance Committee and member of the Remuneration and Nomination Committee.

COMPANY SECRETARY

The name and details of the Company Secretary in office as at the end of the financial year and until the date of this report is as follows. The Company Secretary was in office for this entire period unless otherwise stated.

Richard Wadley

Company Secretary and Chief Financial Officer (appointed 2 April 2007)
FCCA

Richard Wadley, who was appointed as Chief Financial Officer and Company Secretary on 2 April 2007, specialises in providing financial and Company secretarial services to earlier stage life science companies. Formerly CFO and Company secretary for Biota Holdings Limited he has extensive experience in the areas of financial management, investor relations and capital raisings. He practised as a Chartered Accountant and has experience in the operations of a number of public listed companies.

MANAGEMENT

Dr Martin Soust

Managing Director (*see Directors*)

EARNINGS PER SHARE

	2007	2006
Basic earnings/(loss) per share	(0.54) cents	(4.14) cents
Diluted earnings/(loss) per share	(0.54) cents	(4.14) cents

DIVIDENDS

No dividend is recommended for the year. No dividends were paid during the year.

CORPORATE INFORMATION

Corporate structure

Select Vaccines Limited is a company limited by shares that is incorporated and domiciled in Australia.

Principal activities

The principal activities of the Economic Entity during the financial year were the development and commercialisation of products addressing unmet medical needs in the field of infectious diseases.

Employees

The Company had 3 employees as at 31 December 2007 (2006: 1 employee).

OPERATING RESULTS AND REVIEW OF OPERATIONS

The consolidated loss of the Economic Entity after providing for income tax and eliminating outside equity interests amounted to \$1,321,460 (2006: loss of \$2,517,023).

Refer to the Review of Operations section of the Annual Report for further details of the review of operations and future developments of the Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year under review not otherwise disclosed in this annual report.

ENVIRONMENTAL ISSUES

The Economic Entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Select Vaccines Limited.

Remuneration Policy

Remuneration of all Executive and Non-Executive Directors, Officers and Employees of the Company is determined by the Remuneration and Nomination Committee in conjunction with the Board.

The Remuneration and Nomination Committee, consisting of Non-Executive Directors and the Chair, has been established and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and, within amounts approved by shareholders, Non-Executive Directors. Details of the Remuneration Committee's charter are outlined in Select Vaccines Limited's Corporate Governance Statement.

Non-Executive Director's fees are set at a rate that is comparable to other biotechnology companies. In addition to fees paid, options over shares in the Company are issued, subject to shareholder approval, to Non-Executive

Directors in order to align the interests of the Directors with the objectives of the Company and its shareholders. The quantum of options issued is based on a recommendation made by the Remuneration and Nomination Committee. The base fee for the Chairman is set at twice the rate of other Non-Executive Directors.

Executive Directors' remuneration and other terms of employment are reviewed annually by the Remuneration and Nomination Committee having regard to performance against goals set at the start of the year, relevant comparative information and, if required, independent expert advice.

The board undertakes an annual review of its performance and the performance of the board committees against goals set at the start of the year.

The Company's remuneration policies are designed to align Executive Directors' and other Executives' ("Executives") remuneration with the interests of shareholders. Accordingly, the Executive remuneration and reward framework has four components:

Base remuneration

Executives are offered competitive base remuneration which is reviewed annually to ensure it is competitive with market rates. There are no guaranteed increases fixed in any Executive's contracts.

Performance related bonuses

The amount of the possible bonus awarded to Executives is determined by the Remuneration and Nomination Committee with reference to:

- the Company's share price performance relative to the overall market and biotechnology sectors
- the Company's share price performance relative to comparable companies within the biotechnology sector
- specific milestones for the Company.

As the Company is in a research and development phase, Executive reward has not taken into account the earnings of the Company.

Directors' Report CONT.

Select Vaccines Limited Share and Option Plan ("SVESOP")

Directors (subject to shareholder approval) and other Executives are entitled to participate in the SVESOP. Details of the SVESOP have previously been detailed and approved by shareholders at the 2005 Annual General Meeting. Details of options issued under this plan in the year ended 31 December 2007 are detailed in Note 20 of the financial statements.

Retirement benefits

The Company meets its obligations to employees under the Superannuation Guarantee Legislation and may contribute additional superannuation at the direction of Executives. No other retirement benefits are payable.

Remuneration Policy versus Company financial performance

The Company's Remuneration Policy is not directly based on its performance, rather on industry practice.

The Company's primary focus is research activities with a long term objective of developing and commercialising its research and development results.

The Company believes performance is best measured against research and development outcomes which represent a significant Company expense resulting in losses but translates into share price movement.

Details of remuneration for the year ended 31 December 2007

Director	Base fee	Superannuation	Other	Equity	Total
Robin Beaumont	\$80,000	\$-	\$-	\$-	\$80,000
Martin Soust	\$255,000	\$-	\$-	\$-	\$255,000
George Weber	\$40,000	\$-	\$-	\$-	\$40,000
Ian Cooke	\$40,000	\$-	\$-	\$-	\$40,000
Shane Allan ¹	\$45,830	\$-	\$-	\$-	\$45,830

¹ Shane Allan was appointed a Director on 14 February 2007.

Specified Executive	Base fee	Superannuation	Other	Equity	Total
Phillip Hains ¹	\$25,600	\$-	\$-	\$-	\$25,600
Richard Wadley	\$33,595	\$-	\$-	\$-	\$33,595

¹ Phillip Hains resigned on 2 April 2007.

Details of remuneration for the year ended 31 December 2006

Director	Base fee	Superannuation	Other	Equity	Total
Robin Beaumont	\$80,000	\$-	\$-	\$9,000	\$89,000
Martin Soust	\$225,000	\$-	\$25,070	\$-	\$250,070
George Weber	\$40,000	\$-	\$-	\$-	\$40,000
Ian Cooke	\$40,000	\$-	\$-	\$-	\$40,000
Peter Marks ¹	\$30,000	\$-	\$7,000	\$-	\$37,000

¹ Peter Marks resigned as Director on 3 August 2006.

Specified Executive	Base fee	Superannuation	Other	Equity	Total
Phillip Hains	\$15,000	\$-	\$105,600	\$-	\$120,600

Performance income as a proportion of total remuneration

All Executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value or as a proportion of their base salary. Therefore there is no fixed proportion between incentive and non-incentive remuneration.

Non-Executive Directors are not entitled to receive bonuses.

Equity issued as part of remuneration for the year

No equity issues were made to Directors in the year ended 31 December 2007.

This section only refers to those shares and options issued as part of remuneration. As a result they may not indicate all shares and options held by a Director or Senior Executive.

Shares

No shares were issued to Directors or Executives during the year as part of their remuneration.

Options

Director	Balance 1 January 2006 Qty	Granted as remuneration Qty	Options exercised Qty	Disposal/ Lapsed Qty	Balance 31 December 2006 Qty
Robin Beaumont ¹	-	500,000	-	-	500,000
Martin Soust	750,000	-	-	-	750,000
George Weber	500,000	-	-	-	500,000
Ian Cooke	-	-	-	-	-
Peter Marks ²	750,000	-	-	-	750,000

Director	Granted as remuneration \$	Options exercised \$	Disposal/ Lapsed ² \$
Robin Beaumont	9,000	-	-
Martin Soust	-	-	-
George Weber	-	-	-
Ian Cooke	-	-	-
Peter Marks	-	-	-

¹ This equity was issued to the Director upon a resolution of the 2006 AGM. All equity issued as part of remuneration was valued based on the Black-Scholes valuation model, adjusted for escrow and the unlisted nature of the options.

² Balance of Mr Marks's equity on retirement from the Company.

Specified Executive	Balance 1 January 2006 Qty	Granted as remuneration Qty	Options exercised Qty	Disposal/ Lapsed Qty	Balance 31 December 2006 Qty
Phillip Hains	150,000	-	-	-	150,000

Directors' Report CONT.

Employment contracts of directors and senior executives

The Company has a service agreement with Dr Soust. The agreement is reviewed annually and has been in place since April 2007.

MEETINGS OF DIRECTORS

During the financial year, 12 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were:

	Directors' Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
Number eligible to attend			Number attended	Number eligible to attend	Number attended	
Robin Beaumont	12	11	3	3	2	2
Martin Soust	12	12	-	-	-	-
George Weber	12	11	3	3	2	2
Ian Cooke	12	11	3	3	2	2
Shane Allan	9	9	2	2	2	2

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year the Company entered into a policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or an auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

OPTIONS

As at the date of this report the unissued ordinary shares of Select Vaccines Limited under options are as follows:

Code	Date of expiry	Exercise price	Number under option
SLTAU	29/04/08	\$0.435	1,000,000
SLTAO	30/04/08	\$0.300	3,520,000
SLTOA	31/05/08	\$0.200	23,479,265
SLTAP	31/05/08	\$0.300	1,000,000
SLTAQ	30/10/08	\$0.300	500,000
SLTAS	29/04/09	\$0.440	2,000,000
SLTAY	15/08/11	\$0.060	3,000,000
			<hr/> 34,499,265

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

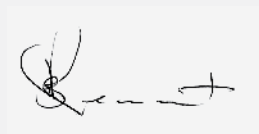
NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit, Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES 110: Code of Ethics for Professional Accountants. During the year ended 31 December 2007 the Economic Entity paid \$ 12,523 (2006: \$11,575) to the external auditors for taxation compliance advice.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2007 has been received and can be found on page 20 of the financial report.

Signed in accordance with a resolution of the Board of Directors.



Robin Beaumont
Chairman



Martin Soust
Managing Director

Dated this 14th day of February 2008

Melbourne

Level 12
459 Collins Street
Melbourne 3000
Victoria Australia

DX 505 Melbourne

Telephone: (03) 8625 5200
Facsimile: (03) 8625 5222
hcmeinfo@hallchadwick.com.au

Partners

John Davis
Digby Looker
Graeme Marriott
Robert Yeo
Kevin Adams
Stan Traianedes

Other firms in:

Sydney
Perth
Adelaide
Brisbane
Gold Coast
Darwin

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SELECT VACCINES
LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



HALL CHADWICK
Chartered Accountants



Kevin P Adams
Partner

Melbourne
14 February 2008

www.hallchadwick.com.au

National Association
Hall Chadwick

International Association
AGN International

Association of
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Income Statement

For the year ended 31 December 2007

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	721,133	87,148	708,543	554,883
Depreciation	3	(10,982)	(22,803)	(5,197)	(13,895)
Audit fees	6	(46,523)	(43,575)	(46,523)	(37,075)
Corporate and compliance costs	3	(202,161)	(765,271)	(201,607)	(664,710)
Research and development	3	(1,439,270)	(1,017,694)	(1,355,119)	-
Directors' fees	3	(205,830)	(199,000)	(205,830)	(199,000)
Impairment of assets	3	(31,000)	(69,000)	(271,872)	(3,582,952)
General and administration		(453,977)	(486,828)	(457,827)	(400,470)
Loss before income tax expense		(1,668,610)	(2,517,023)	(1,835,432)	(4,343,219)
Income tax benefit	4	347,150	-	-	-
Loss for the year		(1,321,460)	(2,517,023)	(1,835,432)	(4,343,219)
Net loss attributable to members of the Parent Entity		(1,321,460)	(2,517,023)	(1,835,432)	(4,343,219)
Basic earnings per share (cents per share)	7	(0.54)	(4.14)		
Diluted earnings per share (cents per share)	7	(0.54)	(4.14)		

The accompanying notes form part of these financial statements.

Balance Sheet

As at 31 December 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	8	1,639,337	2,542,886	1,642,309	2,541,797
Trade and other receivables	9	414,475	60,416	52,267	12,639
Other current assets	13	25,771	33,938	25,771	33,938
Total current assets		2,079,583	2,637,240	1,720,347	2,588,374
NON-CURRENT ASSETS					
Financial assets	10	-	31,000	-	31,000
Plant and equipment	12	46,957	54,349	12,675	14,283
Total non-current assets		46,957	85,349	12,675	45,283
Total assets		2,126,540	2,722,589	1,733,022	2,633,657
CURRENT LIABILITIES					
Trade and other payables	14	218,558	564,559	203,634	344,856
Provisions	15	5,780	4,379	5,780	-
Total current liabilities		224,338	568,938	209,414	344,856
NON-CURRENT LIABILITIES					
Provisions	15	357	228	357	-
Total non-current liabilities		357	228	357	-
Total liabilities		224,695	569,166	209,771	344,856
NET ASSETS		1,901,845	2,153,423	1,523,251	2,288,801
EQUITY					
Contributed equity	16	36,268,907	35,199,025	36,268,907	35,199,025
Accumulated losses		(34,367,062)	(33,045,602)	(34,745,656)	(32,910,224)
TOTAL EQUITY		1,901,845	2,153,423	1,523,251	2,288,801

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2007

	Economic Entity		Total \$
	Contributed Equity \$	Accumulated Losses \$	
Balance at 1/1/2006	31,111,865	(30,528,579)	583,286
Equity issued during the year	4,087,160	-	4,087,160
Loss attributable to members of Parent Entity	-	(2,517,023)	(2,517,023)
Balance at 31/12/2006	35,199,025	(33,045,602)	2,153,423
Equity issued during the year	1,069,882	-	1,069,882
Loss attributable to members of Parent Entity	-	(1,321,460)	(1,321,460)
Balance at 31/12/2007	36,268,907	(34,367,062)	1,901,845

	Parent Entity		Total \$
	Contributed Equity \$	Accumulated Losses \$	
Balance at 1/1/2006	31,111,865	(28,567,005)	2,544,860
Equity issued during the year	4,087,160	-	4,087,160
Loss attributable to members of Parent Entity	-	(4,343,219)	(4,343,219)
Balance at 31/12/2006	35,199,025	(32,910,224)	2,288,801
Equity issued during the year	1,069,882	-	1,069,882
Loss attributable to members of Parent Entity	-	(1,835,432)	(1,835,432)
Balance at 31/12/2007	36,268,907	(34,745,656)	1,523,251

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2007

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from research and development		579,181	16,366	579,181	-
Payments to suppliers and employees		(2,665,007)	(2,123,758)	(2,420,036)	(1,080,265)
Interest received		115,983	38,550	115,945	38,101
Other		-	51,966	-	48,823
Net cash used in operating activities	19a	(1,969,843)	(2,016,876)	(1,724,910)	(993,341)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(3,588)	(13,439)	(3,588)	(13,439)
Proceeds from sale of equity investments		-	90,405	-	-
Advances to related parties		-	-	(240,872)	-
Purchase of equity investments		-	(58,489)	-	(991,086)
Net cash provided by (used in) investing activities		(3,588)	18,477	(244,460)	(1,004,525)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,069,882	4,371,619	1,069,882	4,371,619
Capital raising costs		-	(342,859)	-	(342,859)
Net cash provided by financing activities		1,069,882	4,028,760	1,069,882	4,028,760
Net increase (decrease) in cash held		(903,549)	2,030,361	(899,488)	2,030,894
Cash and cash equivalents at beginning of year		2,542,886	512,525	2,541,797	510,903
Cash and cash equivalents at end of year	8	1,639,337	2,542,886	1,642,309	2,541,797

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2007

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Select Vaccines Limited and the controlled entities, being the Economic Entity. Select Vaccines Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Select Vaccines Limited and controlled entities, being the Economic Entity, comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of preparation

Adoption of Australian Equivalents to International Financial Reporting Standards

Select Vaccines Limited and controlled entities, being the Economic Entity, have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2006.

The accounting policies set out below have been consistently applied to all years presented.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

a. Principles of consolidation

A controlled entity is any entity controlled by Select Vaccines Limited. Control exists where Select Vaccines Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Select Vaccines Limited to achieve the objectives of Select Vaccines Limited. A list of controlled entities is contained in Note 11 to the financial statements.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. *Property, plant and equipment*

Each class of property and plant is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is calculated on a straight line basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use.

Class of fixed asset	Depreciation rate
Plant and equipment	33%
Office furniture	7.5-20%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

d. *Leases*

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of the 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.

Finance leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the lessee are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the Economic Entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

e. *Financial instruments*

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Investments

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit before income tax.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities including; recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

f. Research and Development expenditure

Research and Development costs are charged to profit before income tax is incurred.

g. Intangibles

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Other

Other intangibles are recorded at cost of acquisition and amortised over their deemed useful life. They are tested annually for impairment and carried at cost less accumulated losses.

h. Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 3 months, net of outstanding bank overdrafts.

i. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

j. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

k. Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont.

l. Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m. Share-based payments

Equity-settled payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability or exercise restrictions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

n. Share capital

Ordinary share capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o. Earnings per share

Basic earnings per share is determined by dividing the loss after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

q. Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

The financial report was authorised for issue on 14 February 2008 by the board of directors.

NOTE 2 REVENUE

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
REVENUE				
Research and development revenue	579,181	-	579,181	-
Grants - medical	-	16,366	-	-
Interest revenue - other persons	137,343	38,692	124,753	38,101
Interest revenue - subsidiaries	-	-	-	250,229
Share trading revenue	-	31,915	-	-
Net gain on write-back of inter-company loans and impairment of shares	-	-	-	266,378
Other	4,609	175	4,609	175
Total revenue	721,133	87,148	708,543	554,883

NOTE 3 PROFIT/(LOSS)

Loss before income tax has been determined after:

a. Expenses

Depreciation of non-current assets:				
- Depreciation	10,982	22,803	5,197	13,895
Total depreciation	10,982	22,803	5,197	13,895
Research and development costs:				
- Research and development	1,439,270	1,017,694	1,355,119	-
Total research and development	1,439,270	1,017,694	1,355,119	-
Write-down of assets:				
- Impairment of investments	31,000	69,000	31,000	69,000
- Impairment of subsidiaries loans	-	-	240,872	3,513,952
Total write-down of assets	31,000	69,000	271,872	3,582,952
Audit fees	46,523	43,575	46,523	37,075
Corporate and compliance costs	202,161	765,271	201,607	664,710
Directors' fees	205,830	199,000	205,830	199,000
General and administration	453,977	486,828	457,827	400,470
Total other expenses	908,491	1,494,674	911,787	1,301,255
Total expenses	2,389,743	2,604,171	2,543,975	4,898,102

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 3 PROFIT/(LOSS) cont.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
b. Revenue and net gains				
- Select Vaccines Limited gain on write-back of inter-company loan from Privilege Holdings Pty Ltd ¹	-	-	-	332,701
- Select Vaccines Limited writeback provision for non recovery of loan to Select-Tel Communications Pty Ltd ²	-	-	-	924,763
- Select Vaccines Limited - impairment of shares in Select-Tel Communications Pty Ltd ³	-	-	-	(991,086)
	-	-	-	266,378

1 On 31 December 2006 Privilege Holdings Pty Ltd forgave an inter-company loan to Select Vaccines Limited resulting in a \$332,701 gain on write-back of inter-company loan for Select Vaccines Limited.

2 On 31 December 2006 Select-Tel Communications Pty Ltd issued 99,108,500 ordinary shares to Select Vaccines Limited for total consideration of \$991,085 which was offset against an inter-company loan from Select Vaccines Limited to Select-Tel Communications Pty Ltd. This loan had been fully impaired by Select Vaccines Limited resulting in a write-back of provision for non-recovery of loan of \$924,763.

3 On 31 December 2006 Privilege Holdings Pty Ltd transferred 1 ordinary share in Select-Tel Communications Pty Ltd to Select Vaccines Limited for consideration of \$1. At year-end Select Vaccines Limited's investment in Select-Tel Communications Pty Ltd was considered to have a nil carrying value resulting in an impairment loss of \$991,086.

On 31 December 2006 Select-Tel Communications Pty Ltd forgave inter-company loans of \$362,319 to Privilege Holdings Pty Ltd , \$244 to Hepgenics Pty Ltd and \$244 to Picoral Pty Ltd.

c. Significant revenues and expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

- Research and development revenues	579,181	-	579,181	-
- Impairment of assets	31,000	69,000	271,872	3,582,952

NOTE 4 INCOME TAX EXPENSE

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>a. The prima facie tax on loss before tax is reconciled to the income tax as follows:</i>				
Prima facie tax on loss before income tax at 30% (2006:30%)				
- Economic Entity	(500,383)	(755,107)		
- Parent Entity			(550,630)	(1,302,966)
	(500,383)	(755,107)	(550,630)	(1,302,966)
Add/(less):				
Tax effect of:				
Non-deductible expenses	781	1,252	781	1,252
Research and development rebate	(347,150)	-	-	-
Impairment of assets	9,300	20,700	81,562	1,074,886
Deferred tax asset	490,302	733,155	468,287	226,828
Income tax benefit attributable to loss before income tax	(347,150)	-	-	-
<i>b. The Directors estimate that the potential deferred tax asset at 31 December 2007 in respect of tax losses not brought to account is:</i>				
Carried forward losses	3,819,263	3,328,961	1,928,047	1,459,760

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- (ii) the losses are transferred to an eligible entity in the consolidated entity; and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the Economic Entity in realising the benefit from the deductions for the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

- a. *Names and positions held of Economic and Parent Entity Directors and Specified Executives in office at any time during the financial year are:*

Economic and Parent Entity Directors

Robin Beaumont (Chairman, appointed 9/06/05)

Martin Soust (Managing Director, appointed 1/04/03)

George Weber (Non-Executive Director, appointed 19/05/04)

Ian Cooke (Non-Executive Director, appointed 19/05/04)

Shane Allan (Non-Executive Director, appointed 14/02/07)

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION cont.

Specified Executives

Phillip Hains (Company Secretary and Chief Financial Officer, resigned 2/04/2007)

Richard Wadley (Company Secretary and Chief Financial Officer, appointed 2/04/2007)

b. Compensation of Key Management Personnel

The aggregate compensation made to key management personnel of the Economic and Parent Entity is set out below:

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	520,025	567,670	520,025	567,670
Post-employee benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Share-based payment	-	9,000	-	9,000
	520,025	576,670	520,025	576,670

The compensation of each member of the key management personnel of the Economic and Parent Entity is set out below:

c. Economic and Parent Entity Directors' remuneration

	Primary benefits base fee \$	Other compensation benefits \$	Post employment super \$	Equity compensation \$	Total \$
2007					
Robin Beaumont	80,000	-	-	-	80,000
Martin Soust	255,000	-	-	-	255,000
George Weber	40,000	-	-	-	40,000
Ian Cooke	40,000	-	-	-	40,000
Shane Allan	45,830	-	-	-	45,830
	460,830	-	-	-	460,830
2006					
Robin Beaumont	80,000	-	-	9,000	89,000
Martin Soust	225,000	25,070	-	-	250,070
George Weber	40,000	-	-	-	40,000
Ian Cooke	40,000	-	-	-	40,000
Peter Marks	30,000	7,000	-	-	37,000
	415,000	32,070	-	9,000	456,070

The service and performance criteria set to determine remuneration are included per note (i) below.

d. Specified Executives' remuneration

	Primary benefits base fee \$	Other compensation benefits \$	Post employment super \$	Equity compensation \$	Total \$
2007					
Phillip Hains	25,600	-	-	-	25,600
Richard Wadley	33,595	-	-	-	33,595
	59,195	-	-	-	59,195
2006					
Phillip Hains	15,000	105,600	-	-	120,600
	15,000	105,600	-	-	120,600

In 2006 Mr Hains' "Other Compensation Benefits" fees were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as CFO.

The service and performance criteria set to determine remuneration are included per note (i) below.

e. Remuneration options

2006 options granted as remuneration

	Vested number	Granted number	Grant date	Value of options at grant date \$	Terms and conditions for each grant		
					Exercise price \$	First exercise date	Last exercise date
Economic and Parent Entity Directors							
Robin Beaumont	500,000	500,000	7 April 2006	9,000	\$0.300	7 April 2006	31 May 2008
	500,000	500,000					

The unlisted options issued to the Director for Nil consideration were valued based on the Black-Scholes valuation model, adjusted for their escrow and unlisted nature. The inputs for this model are as stated below.

Implied volatility was calculated taking into consideration the historical volatility of the Company's share price in the six months prior to the issue of the options.

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION cont.

Issue date	7/4/06
Share price	\$0.100
Exercise price	\$0.300
Implied volatility	83.0%
Option life	2 yrs
Expected dividends	Nil
Risk-free interest rate	5.3%
Escrow period	Nil
Adjustment for escrow	Nil
Adjustment for unlisted nature	5.0% pa

f. *Shares issued on exercise of remuneration options*

Nil.

g. *Options and rights holdings*

Number of options held by Economic and Parent Entity Directors and Specified Executives.

2007	Balance 1/1/07	Granted as remuner- ation	Options exercised	Net change other ¹	Balance 31/12/07	Total vested 31/12/07	Total exercisable 31/12/07	Total un- exercisable 31/12/07
Economic and Parent Entity Directors								
Robin Beaumont	525,000	-	-	-	525,000	525,000	525,000	-
Martin Soust	800,229	-	-	-	800,229	800,229	800,229	-
George Weber	500,000	-	-	-	500,000	500,000	500,000	-
Shane Allan	-	-	-	-	-	-	-	-
Ian Cooke	-	-	-	-	-	-	-	-
Specified Executives								
Richard Wadley	-	-	-	-	-	-	-	-
Total	1,825,229	-	-	-	1,825,229	1,825,229	1,825,229	-

¹ The net change other reflected above includes those options that have expired or been issued during the year under review, other than for remuneration, or traded on market.

2006	Balance 1/1/06	Granted as remuneration	Options exercised	Net change other ²	Balance 31/12/06	Total vested 31/12/06	Total exercisable 31/12/06	Total un- exercisable 31/12/06
Economic and Parent Entity Directors								
Robin Beaumont	-	500,000	-	25,000	525,000	525,000	525,000	-
Martin Soust	782,500	-	-	17,729	800,229	800,229	800,229	-
George Weber	500,000	-	-	-	500,000	500,000	500,000	-
Ian Cooke	-	-	-	-	-	-	-	-
Peter Marks ¹	1,042,777	-	-	-	1,042,777	1,042,777	1,042,777	-
Specified Executives								
Philip Hains	150,000	-	-	-	150,000	150,000	150,000	-
Total	2,475,277	500,000	-	42,729	3,018,006	3,018,006	3,018,006	-

¹ Closing balance for Mr Marks represents balance on retirement.

² The net change other reflected above includes those options that have expired or been issued during the year under review, other than for remuneration, or traded on market.

h. Shareholdings

Number of shares held by Economic and Parent Entity Directors and Specified Executives.

2007	Balance 1/1/07	Received as remuneration	Options exercised	Net change other ¹	Balance 31/12/07
Economic and Parent Entity Directors					
Robin Beaumont	4,274,873	-	-	350,127	4,625,000
Martin Soust	798,124	-	-	-	798,124
George Weber	480,000	-	-	(120,000)	360,000
Ian Cooke	56,000	-	-	-	56,000
Shane Allan	-	-	-	-	-
Specified Executives					
Richard Wadley	-	-	-	-	-
Total	5,608,997	-	-	230,127	5,839,124

¹ The net change other reflected above includes those shares issued during the year under review via new equity issue, other than for remuneration, or traded on market.

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION cont.

2006	Balance 1/1/06	Received as remuneration	Options Exercised	Net change other ²	Balance 31/12/06
Economic and Parent Entity Directors					
Robin Beaumont	200,000	-	-	4,074,873	4,274,873
Martin Soust	141,824	-	-	656,300	798,124
George Weber	120,000	-	-	360,000	480,000
Ian Cooke	14,000	-	-	42,000	56,000
Peter Marks ¹	327,916	-	-	-	327,916
Specified Executives					
Phillip Hains	-	-	-	-	-
Total	803,740	-	-	5,133,173	5,936,913

¹ Closing balance for Mr Marks represents balance on retirement. Mr Marks resigned on 3 August 2006.

² The net change other reflected above includes those shares issued during the year under review via new equity issue, other than for remuneration, or traded on market.

i. Compensation practices

The Company has a Remuneration and Nomination Committee that administers the Company's remuneration policy.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

NOTE 6 AUDITOR'S REMUNERATION

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Remuneration of the auditor of the Parent Entity for:				
- an audit or review of the financial report	34,000	32,000	34,000	32,000
- taxation services	12,523	11,575	12,523	5,075
	46,523	43,575	46,523	37,075

NOTE 7 EARNINGS PER SHARE

	Economic Entity	
	2007 Cents	2006 Cents
Basic earnings/(loss) per share	(0.54)	(4.14)
Diluted earnings/(loss) per share	(0.54)	(4.14)

	2007 \$	2006 \$
	<i>a. Reconciliation of earnings to net profit or loss</i>	
Net loss	(1,321,460)	(2,517,023)
Net loss attributable to minority equity interest	-	-
Earnings used in the calculation of basic and dilutive EPS	(1,321,460)	(2,517,023)
<i>b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</i>	246,400,035	60,771,408

NOTE 8 CASH AND CASH EQUIVALENTS

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank	1,639,337	2,542,886	1,642,309	2,541,797
	1,639,337	2,542,886	1,642,309	2,541,797

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 9 TRADE AND OTHER RECEIVABLES

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Current</i>	-	-	-	-
Trade debtors	-	-	-	-
Less provision for doubtful debts	-	-	-	-
	-	-	-	-
Goods and services tax	45,965	60,416	43,459	12,639
Other debtors	8,808	-	8,808	-
Research and development rebate	359,702	-	-	-
	414,475	60,416	52,267	12,639
<i>Non-current</i>				
Amounts receivable from:				
- Subsidiary entities	-	-	3,754,824	3,513,952
Less provision for impairment	-	-	(3,754,824)	(3,513,952)
	-	-	-	-

NOTE 10 FINANCIAL ASSETS

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<i>Non-current</i>					
Unlisted investments:					
Shares in controlled entities, at cost	11	-	-	11,005,923	11,005,923
Less provision for impairment of investments		-	-	(11,005,923)	(11,005,923)
Shares in other corporations, at cost		100,000	100,000	100,000	100,000
Less provision for impairment of investments		(100,000)	(69,000)	(100,000)	(69,000)
		-	31,000	-	31,000

NOTE 11 CONTROLLED ENTITIES

	Country of incorporation	Principle activity	Percentage owned (%)	
			2007	2006
<i>Parent Entity</i>				
Select Vaccines Limited	Australia	Investment		
<i>Subsidiaries of Select Vaccines Limited</i>				
Hepgenics Pty Ltd	Australia	Medical research	100	100
Picoral Pty Ltd	Australia	Medical research	100	100
Privilege Holdings Pty Ltd *	Australia	Investment	-	100
Select-Tel Communications Pty Ltd*	Australia	Communications	-	100

* non-operating company-Deregistered January 2007

NOTE 12 PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Plant and equipment				
At cost	114,136	110,549	56,287	52,699
Accumulated depreciation	(73,037)	(62,944)	(49,470)	(45,160)
	41,099	47,605	6,817	7,539
Office furniture				
At cost	6,825	6,825	6,825	6,825
Accumulated depreciation	(967)	(81)	(967)	(81)
	5,858	6,744	5,858	6,744
Total plant and equipment	46,957	54,349	12,675	14,283

a. Movements in carrying amounts

Plant and equipment				
Balance at the beginning of year	47,605	63,713	7,539	14,739
Additions	3,588	6,614	3,588	6,614
Depreciation expense	(10,094)	(22,722)	(4,310)	(13,814)
Carrying amount at the end of year	41,099	47,605	6,817	7,539

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 12 PLANT AND EQUIPMENT cont.

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Office furniture				
Balance at the beginning of year	6,744	-	6,744	-
Additions	-	6,825	-	6,825
Depreciation expense	(886)	(81)	(886)	(81)
Carrying amount at the end of year	5,858	6,744	5,858	6,744

NOTE 13 OTHER ASSETS

<i>Current</i>				
Prepayments	25,771	32,938	25,771	32,938
Rental bond	-	1,000	-	1,000
	25,771	33,938	25,771	33,938

NOTE 14 TRADE AND OTHER PAYABLES

<i>Current</i>				
Trade creditors	132,522	84,029	117,598	6,070
Sundry creditors and accrued expenses	86,036	480,530	86,036	338,786
	218,558	564,559	203,634	344,856

NOTE 15 PROVISIONS

<i>Current</i>				
Employee entitlements	5,780	4,379	5,780	-
	5,780	4,379	5,780	-
<i>Non-current</i>				
Employee entitlements	357	228	357	-
	357	228	357	-
<i>Movement</i>				
Annual leave				
Balance at the beginning of the year	4,379	-	4,379	-
Accrued annual leave	11,045	4,379	11,045	-
Utilised annual leave	(9,644)	-	(9,644)	-
Balance at the end of the year	5,780	4,379	5,780	-

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Long service leave					
Balance at the beginning of the year		228	-	228	-
Accrued long service leave		129	228	129	-
Utilised long service leave		-	-	-	-
Balance at the end of the year		357	228	357	-

NOTE 16 CONTRIBUTED EQUITY

Ordinary shares fully paid	16a	33,830,996	32,761,114	33,830,996	32,761,114
Options	16b	2,437,911	2,437,911	2,437,911	2,437,911
		36,268,907	35,199,025	36,268,907	35,199,025

		2007		2006	
		No. of Shares	\$	No. of Shares	\$
a. Movement in ordinary shares on issue					
At the beginning of the reporting period		220,832,380	32,761,114	47,061,305	28,744,603
Shares issued during the year	16a(i)	34,518,072	1,069,882	173,771,075	4,371,619
Exercise of options	16b(ii)	-	-	-	47,751
Transaction costs relating to share issues		-	-	-	(402,859)
At reporting date		255,350,452	33,830,996	220,832,380	32,761,114

(i) 2007	Details	Number	Issue Price \$	\$
15 February 2007	Payment to Chicago based BPR LLC for capital raising and licensing advice.	5,000,000	\$0.039	194,575
19 April 2007	Issue of ordinary shares to AVANT Immunotherapeutics Inc under a licensing deal to develop and commercialise influenza and other vaccine candidates.	29,518,072	\$0.030	875,307
		34,518,072		1,069,882

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 16 CONTRIBUTED EQUITY cont.

2006	Details	Number	Issue Price \$	\$
07 February 2006	Issue of ordinary shares per 22 December 2005 Non-Renounceable Rights Issue Prospectus.	1,395,859	\$0.130	181,512
13 February 2006	Issue of ordinary shares to underwriters per 22 December 2005 Non-Renounceable Rights Issue Prospectus.	6,750,931	\$0.130	877,621
13 December 2006	Issue of ordinary shares per 10 November 2006 Renounceable Rights Issue Prospectus.	88,842,492	\$0.020	1,776,850
21 December 2006	Issue of ordinary shares to underwriters per 10 November 2006 Renounceable Rights Issue Prospectus.	76,781,793	\$0.020	1,535,636
		173,771,075		4,371,619

	Note	2007		2006	
		No. of Options	\$	No. of Options	\$
b. Movements in options on issue					
At beginning of the reporting period		39,637,252	2,437,911	33,463,824	2,367,262
Issued during the year	16b(i)	3,000,000	-	6,523,428	118,400
Exercised during the year	16b(ii)	-	-	-	(47,751)
Expired during the year	16b(iii)	(7,637,987)	-	(350,000)	-
At reporting date		34,999,265	2,437,911	39,637,252	2,437,911

(i) 2007	Details	Number	Issue Price \$	\$
15 February 2007	Issue of free options exercisable at \$.06 on or before 15 August 2011 to Chicago based BPR LLC for capital raising and licensing advice.	3,000,000	\$0.000	-

(i) 2006	Details	Number	Issue Price \$	\$
07 February 2006	Issue of free listed SLTOA options exercisable at \$.20 on or before 31 May 2008 attaching 1:2 to shares issued per 22 December 2005 Non - Renounceable Rights Issue Prospectus.	697,962	\$0.000	-
13 February 2006	Issue to underwriters of free listed SLTOA options exercisable at \$.20 on or before 31 May 2008 attaching 1:2 to shares issued per 22 December 2005 Non - Renounceable Rights Issue Prospectus.	3,375,466	\$0.000	-
07 April 2006	Issue of unlisted SLTAP options exercisable at \$.30 on or before 31 May 2008 to Director ¹ under the 2005 ASX plan.	500,000	\$0.018	9,000

(i) 2006	Details	Number	Issue Price \$	\$
11 July 2006	Issue of listed SLTOA options exercisable at \$0.20 on or before 31 May 2008 to consultant in lieu of fees.	1,000,000	\$0.060	60,000
11 July 2006	Issue of unlisted SLTAO options exercisable at \$0.30 on or before 30 April 2008 to consultants ² in lieu of fees under the 2005 ASX plan.	950,000	\$0.052	49,400
		6,523,428		118,400

In 2006 unlisted options issued to Director and consultants for Nil consideration were valued based on the Black-Scholes valuation model, adjusted for their escrow and unlisted nature. The inputs for this model are as stated below.

Implied volatility was calculated taking into consideration the historical volatility of the Company's share price in the six months prior to the issue of the options.

	Director ¹	Consultants ²
Issue date	7/04/06	11/07/06
Share price	\$0.100	\$0.260
Exercise price	\$0.300	\$0.300
Implied volatility	83.0%	34.0%
Option life	2 yrs	2.67 yrs
Expected dividends	Nil	Nil
Risk-free interest rate	5.3%	5.2%
Escrow period	Nil	Nil
Adjustment for escrow	Nil	Nil
Adjustment for unlisted nature	5% pa	5% pa

(ii) 2006	Details	Number	Issue Price \$	\$
	Adjustment to valuation of 330,000 SLTAO options exercised in prior year.	-	\$0.145	(47,751)
		-		(47,751)

(iii) 2006	Details	Number	Issue Price \$	\$
30 June 2006	Expiration of unlisted SLTAK options exercisable at \$ 0.20 on or before 30 June 2006.	(350,000)	\$0.000	-
		(350,000)		-
(iii) 2007	Details	Number	Issue Price \$	\$
01 February 2007	Expiration of unlisted SLTO options exercisable at \$0.80 on or before 1 February 2007.	(7,637,987)	\$0.000	-
		(7,637,987)		-

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 17 OPERATING LEASE COMMITMENTS

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Operating lease commitments</i>				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
- not later than 1 year	1,430	1,430	1,430	1,430
- later than 1 year but not later than 5 years	-	-	-	-
- later than 5 years	-	-	-	-
	1,430	1,430	1,430	1,430

The property lease is a non-cancellable lease with a six-month term, with rent payable monthly in advance. An option exists to renew the lease at the end of the six-month term for an additional term of six months plus a further 12 months option.

NOTE 18 SEGMENT REPORTING

a) Primary reporting - Business segments

In early 2007 the group was re-structured and now only carries out medical research.

	Medical Research	Investment	Economic Entity 2006
	\$	\$	\$
<i>Revenue</i>			
External sales	16,366	70,782	87,148
Unallocated revenue			-
Total revenue			87,148
<i>Result</i>			
Segment result	(1,407,657)	70,782	(1,336,875)
Unallocated revenue			-
Unallocated expense			(1,180,148)
Income tax expense			-
Net loss			(2,517,023)

	Medical Research \$	Investment \$	Economic Entity 2006 \$
Assets			
Segment assets	88,932	31,000	119,932
Unallocated assets			2,602,657
Total assets			2,722,589
Liabilities			
Segment liabilities	224,310	-	224,310
Unallocated liabilities			344,856
Total liabilities			569,166
Other			
Depreciation of segment assets	8,908	-	8,908

b) Secondary reporting - Geographical segments

The Economic Entity operates only in Australia.

c) The Economic Entity derived income from medical research.

NOTE 19 CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>a. Reconciliation of cash flow from operations with loss</i>				
Loss	(1,321,460)	(2,517,023)	(1,835,432)	(4,343,219)
Non-cash movements				
- Depreciation	10,982	22,803	5,197	13,895
- Interest on intercompany loans	-	-	-	(228,762)
- Write-back intercompany loans and impairment of shares	-	-	240,872	(266,378)
- Equity issued for nil consideration	-	118,400	-	118,400
- Impairment of assets	-	-	-	3,513,952
- Increase/(decrease) in impairment - investments	31,000	69,000	31,000	69,000
- (Profit)/loss of sale of Investments	-	(31,915)	-	-

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 19 CASH FLOW INFORMATION cont.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Change in assets and liabilities				
- (Increases)/decreases in trade and other receivables	(354,060)	57,577	(39,627)	48,823
- (Increases)/decreases in other current assets	8,167	993	8,167	993
- Increases/(decreases) in trade and other payables	(346,002)	258,682	(141,224)	79,955
- Increases/(decreases) in leave provisions	1,530	4,607	6,137	-
Cash flows from operations	(1,969,843)	(2,016,876)	(1,724,910)	(993,341)
b. Non-cash financing and investing activities				
Issue of shares and options for nil consideration				
Refer to Note 16 Contributed Equity for further information				
c. Reconciliation of cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash on hand and at bank	158,930	14,315	161,902	13,226
Bank accepted bills	1,480,407	-	1,480,406	-
Deposits at call	-	2,528,571	-	2,528,571
	1,639,337	2,542,886	1,642,309	2,541,797

NOTE 20 EMPLOYEE SHARE BASED PAYMENTS UNDER SHARE AND OPTION PLAN

The Company established the Select Vaccines Employees', Directors' and Consultants' Share and Option Plan on 22 April 2005. All employees, directors and consultants are eligible to participate in the Plan.

No Options were issued during 2007.

On 7 April 2006 500,000 unlisted SLTAP options were granted to Robin Beaumont, a Director of the Company, as a sign-on fee to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 31 May 2008. The options hold no voting or dividend rights. At balance date, none of the share options had been exercised.

On 11 July 2006 950,000 unlisted SLTAO options were granted to consultants to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 30 April 2008. The options hold no voting or dividend rights. At balance date, none of the share options had been exercised.

The closing share market price of an ordinary share of Select Vaccines Limited on the Australian Stock Exchange at 31 December 2007 was \$0.02 (31 December 2006:\$0.02).

	Economic Entity		Parent Entity	
	2007 No.	2006 No.	2007 No.	2006 No.
<i>a. Movement in the number of share options held by employees/directors are as follows:</i>				
Opening balance	2,450,000	1,000,000	2,450,000	1,000,000
Granted during the year	-	1,450,000	-	1,450,000
Closing balance	2,450,000	2,450,000	2,450,000	2,450,000

The weighted average exercise price of options issued during the year was - (2006: \$0.30).

<i>b. Details of share options outstanding as at end of year:</i>						
Grant date	Expiry and exercise date	Exercise price				
29/04/05	31/05/08	\$0.30	1,000,000	1,000,000	1,000,000	1,000,000
07/04/06	31/05/08	\$0.30	500,000	500,000	500,000	500,000
11/07/06	30/04/08	\$0.30	950,000	950,000	950,000	950,000
			2,450,000	2,450,000	2,450,000	2,450,000

c. Valuation of share options

The weighted average fair value of the options granted during the previous year was \$0.0403.

This price was calculated by using the Black-Scholes option pricing model applying the following inputs:

Issue date	07/04/06	11/07/06
Share price	\$0.100	\$0.260
Exercise price	\$0.300	\$0.300
Implied volatility	83.0%	34.0%
Option life	2 yrs	2.67 yrs
Expected dividends	Nil	Nil
Risk-free interest rate	5.3%	5.2%
Escrow period	Nil	Nil
Adjustment for escrow	Nil	Nil
Adjustment for unlisted nature	5.0% pa	5.0% pa

Implied volatility was calculated taking into consideration the historical volatility of the Company's share price in the six months prior to the issue of the options.

Under the 2006 Directors fees on the Income Statement is \$9,000 which relates, in full, to equity-settled share-based payments made to Directors.

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 21 RELATED PARTY TRANSACTIONS

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
<i>(i) Other related parties</i>				
Loans to subsidiary companies	-	-	240,872	-
<i>(ii) Identification of related parties</i>				
Ultimate Parent Entity				
Select Vaccines Limited is the ultimate Parent Entity.				
Controlled entities				
Refer to note 11 for details of controlled entities.				
<i>(iii) Key Management Personnel</i>				
Details relating to key management personnel, including remuneration paid, are included in note 5.				

(iv) Loans from related parties included in equity

On 31 December 2006 Privilege Holdings Pty Ltd forgave an inter-company loan to Select Vaccines Limited of \$332,701.

On 31 December 2006 Select-Tel Communications Pty Ltd issued 99,108,500 ordinary shares to Select Vaccines Limited for total consideration of \$991,085 which was offset against an inter-company loan from Select Vaccines Limited to Select-Tel Communications Pty Ltd. This loan had been fully impaired by Select Vaccines Limited resulting in a write-back of provision for non-recovery of loan of \$924,763 for Select Vaccines Limited.

On 31 December 2006 Privilege Holdings Pty Ltd transferred 1 ordinary share in Select-Tel Communications Pty Ltd to Select Vaccines Limited for consideration of \$1. At year-end Select Vaccines Limited's investment in Select-Tel Communications Pty Ltd was considered to have a nil carrying value resulting in an impairment loss of \$991,086 for Select Vaccines Limited.

On 31 December 2006 Select-Tel Communications Pty Ltd forgave inter-company loans of \$362,319 to Privilege Holdings Pty Ltd , \$244 to Hepgenics Pty Ltd and \$244 to Picoral Pty Ltd.

NOTE 22 FINANCIAL INSTRUMENTS

a. Interest rate risk

The Economic Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2007	Weighted average interest rate	Floating interest rate \$	Fixed interest 1 year or less \$	Maturing in 1-5 years \$	Non-interest bearing \$	Total \$
Financial assets						
Cash and cash equivalents	6.64%	1,639,337	-	-	-	1,639,337
Trade and other receivables		368,510	-	-	45,965	414,475
Financial assets - non-current		-	-	-	-	-
Total financial assets		2,007,847	-	-	45,965	2,053,812
Financial liabilities						
Trade and other payables		-	-	-	218,558	218,558
Total financial liabilities		-	-	-	218,558	218,558
2006						
Financial assets						
Cash and cash equivalents	6.06%	2,542,886	-	-	-	2,542,886
Trade and other receivables		-	-	-	60,416	60,416
Financial assets - non-current		-	-	-	31,000	31,000
Total financial assets		2,542,886	-	-	91,416	2,634,302
Financial liabilities						
Trade and other payables		-	-	-	564,559	564,559
Total financial liabilities		-	-	-	564,559	564,559

Notes to the Financial Statements CONT.

FOR THE YEAR ENDED 31 DECEMBER 2007

b. Credit risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets is the carrying amount net of any provision for doubtful debts.

c. Net fair values

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

For other assets and other liabilities the net fair value approximates their carrying value.

	2007		2006	
	Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
Financial assets				
Cash and cash equivalents	1,639,337	1,639,336	2,542,886	2,542,886
Trade and other receivables	414,475	414,475	60,416	60,416
Financial assets	-	-	31,000	31,000
	2,053,812	2,053,812	2,634,302	2,634,302
Financial liabilities				
Trade and other payables	218,558	218,558	564,559	564,559
	218,558	218,558	564,559	564,559

NOTE 23 COMPANY DETAILS

The registered office of the Company is:

Select Vaccines Limited
Suite 15
545 St Kilda Road
Melbourne Victoria 3004

The principal place of business is:

Select Vaccines Limited
Suite 15
545 St Kilda Road
Melbourne Victoria 3004

Directors' Declaration

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 21 to 50, are in accordance with the Corporations Act 2001:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the year ended on that date of the Company and Economic Entity.
- 2 The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a) the financial records of the Company for the year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3 In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Robin Beaumont
Chairman



Martin Soust
Managing Director

Dated this 14th day of February 2008

Melbourne

Level 12
459 Collins Street
Melbourne 3000
Victoria Australia

DX 505 Melbourne

Telephone: (03) 8625 5200
Facsimile: (03) 8625 5222
hcmeinfo@hallchadwick.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SELECT VACCINES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Select Vaccines Limited (the company) and Select Vaccines Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Partners

John Davis
Digby Looker
Graeme Marriott
Robert Yeo
Kevin Adams
Stan Traianedes

Other firms in:

Sydney
Perth
Adelaide
Brisbane
Gold Coast
Darwin

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National Association
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International Association
AGN International

Association of
Independent Firms

Melbourne

Level 12
459 Collins Street
Melbourne 3000
Victoria Australia

DX 505 Melbourne

Telephone: (03) 8625 5200
Facsimile: (03) 8625 5222
hcmelinfo@hallchadwick.com.au

Partners

John Davis
Digby Looker
Graeme Marriott
Robert Yeo
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Stan Traianedes

Other firms in:

Sydney
Perth
Adelaide
Brisbane
Gold Coast
Darwin

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.

Auditor's Opinion

In our opinion:

- (a) the financial report of Select Vaccines Limited and Select Vaccines Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



HALL CHADWICK
Chartered Accountants



Kevin P Adams
Partner

Melbourne
14 February 2008

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AGN International

Association of
Independent Firms

Shareholder Information

as at 15 January 2008

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

255,350,452 fully paid ordinary shares are held by 1,645 individual shareholders.

All ordinary shares carry one vote per share.

Options

1,000,000 SLTAU options exercisable @ \$0.435 on or before 29 April 2008 are held by 1 individual shareholder.

3,520,000 SLTAO options exercisable @ \$0.30 on or before 30 April 2008 are held by 9 individual shareholders.

23,479,265 SLTOA options exercisable @ \$0.20 on or before 31 May 2008 are held by 392 individual shareholders.

1,500,000 SLTAP options exercisable @ \$0.30 on or before 31 May 2008 are held by 3 individual shareholders.

500,000 SLTAQ options exercisable @ \$0.30 on or before 30 October 2008 are held by 1 individual shareholder.

2,000,000 SLTAS options exercisable @ \$0.44 on or before 29 April 2009 are held by 1 individual shareholder.

3,000,000 SLTAY options exercisable @ \$0.06 on or before 15 August 2011 are held by 5 individual shareholders.

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES

	Fully paid ordinary shares
1 - 1,000	560
1,001 - 5,000	223
5,001 - 10,000	132
10,001 - 100,000	439
100,001 - and over	291
Total number of shareholders	1,645
Unmarketable parcels	1,044

	SLTOA listed options
1 - 1,000	93
1,001 - 5,000	80
5,001 - 10,000	36
10,001 - 100,000	106
100,001 - and over	36
Total number of optionholders	351

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

Shareholder	Fully paid ordinary shares	
	Number	%
1 Avant Immunotherapeutics Inc	29,518,072	11.56
2 MF Custodians Ltd	9,658,130	3.78
3 Macfarlane Burnet Institute	9,271,804	3.63
4 Deepdene Super PL	7,953,853	3.11
5 Log Creek Pty Ltd	4,829,064	1.89
6 Ian Stolyar	4,635,902	1.82
7 Robin Beaumont & Helen Shingler	4,625,000	1.81
8 Invia Custodians Pty Ltd	3,828,853	1.50
9 Fulton Grange Pty Ltd	3,750,000	1.47
10 Colowell Pty Ltd	3,518,660	1.38
11 ANZ Nominees Pty Ltd	3,505,001	1.37
12 Yamball Pty Ltd	3,328,000	1.30
13 Michael Kluske	3,200,000	1.25
14 Milnfam Nominees Pty Ltd	2,980,000	1.17
15 Macfarlane Burnet Institute for Medical Research and Public Health Ltd	2,561,005	1.00
16 David Anderson	2,529,160	0.99
17 Kalpor Pty Ltd	2,500,000	0.98
18 R Warden Pty Ltd	2,414,476	0.95
19 Calma Holdings Pty Ltd	2,232,700	0.87
20 Gary Anderson	2,200,000	0.86
	109,039,680	42.69

SLTOA Optionholders	Options exercisable	
	Number	%
1 James Kelsey Nugent	2,573,000	10.96
2 Rondelle Pty Ltd	2,200,000	9.37
3 Gaetano Cappa	1,521,102	6.48
4 Taycol Nominees Pty Ltd	1,124,254	4.79
5 Lampam Pty Ltd	847,500	3.61
6 Jonathan Keith Brett	828,406	3.53
7 Martin Soust	750,000	3.19
8 Jeremy Cooper	750,000	3.19
9 Eli Shellim	592,000	2.52
10 Classic Roofing Pty Ltd	580,000	2.47
11 Milan Herceg	500,000	2.13
12 DAR Holdings Pty Ltd	500,000	2.13
13 BAO QI SHI	400,644	1.71
14 Carmelo Galipo	400,000	1.70
15 G&G Steelworks Pty Ltd	350,000	1.49
16 Austcan Enterprises Pty Ltd	340,200	1.45
17 Troy Valentine	300,000	1.28
18 David John Eggers	250,000	1.06
19 August Incorporated	238,462	1.02
20 Harry & Matilde Capararo	216,000	0.92
	15,261,568	65.00

Shareholder information CONT.

AS AT 15 JANUARY 2008

UNQUOTED EQUITY SECURITIES HOLDINGS GREATER THAN 20%

There are no unquoted equity securities holding greater than 20%.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Macfarlane Burnet Institute for Medical Research & Public Health Limited	11,832,809 ordinary shares
Avant Immunotherapeutics Inc	29,518,072 ordinary shares

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact the Share Registry, Security Transfer Registrars:
770 Canning Highway, Applecross, WA, 6153, Australia
Phone (08) 9315 2333
Fax (08) 9315 2233
Email registrar@securitytransfer.com.au

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who do not wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertificated holdings under the Australian Stock Exchange CHESS system should contact their stockbroker.

UNCERTIFICATED SHARE REGISTER

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

Corporate Directory

Select Vaccines Limited

ABN 25 062 063 692

Directors

Robin Beaumont	Chairman
Martin Soust	Managing Director
Ian Cooke	Non-Executive Director
Shane Allan	Non-Executive Director
George Weber	Non-Executive Director

Company Secretary

Richard Wadley

Registered office

Suite 15, 545 St Kilda Road
Melbourne Victoria 3004
Telephone (03) 9529 8788
Facsimile (03) 9529 2622

Principal place of business

Suite 15, 545 St Kilda Road
Melbourne Victoria 3004
Telephone (03) 9529 8788
Facsimile (03) 9529 2622

Auditors

Hall Chadwick
Chartered Accountants
Level 12, 459 Collins Street
Melbourne Victoria 3000

Solicitors

Oakley Thompson & Co
Level 17, 500 Collins Street
Melbourne Victoria 3000

Share registry

Security Transfer Registrars
770 Canning Highway
Applecross Western Australia 6153
Telephone (08) 9315 2333
Facsimile (08) 9315 2233
Email registrar@securitytransfer.com.au

Securities quoted

Australian Stock Exchange

Code:

SLT - Shares

SLTOA - Options expiring 31 May 2008, exercisable @ \$0.20



Selected Vaccines Limited
ABN 25 062 063 692

Suite 15, 545 St Kilda Road
Melbourne Victoria 3004

Telephone (03) 9529 8788
Facsimile (03) 9529 2622

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