

Select Vaccines made good progress in the last quarter, most notably with the achievement of an important manufacturing goal in its VLP vaccine program. This milestone was met using the Company's lead influenza VLP vaccine candidate, based on the H5 subunit, which is found in so-called "bird 'flu". New, early preclinical research into a "universal" influenza VLP vaccine has also produced promising results.

ANAVAX™: Select Vaccines' VLP Technology Gets a New Name

Select Vaccines is pleased to introduce a new name for its VLP vaccines. The Company's patent protected VLP technology, based on modifications to duck hepatitis B virus, will now be known as ANAVAX™. In the long term, as ANAVAX™ technology heads

towards the clinic, the name is expected to provide marketing leverage.

VLP Manufacturing: a Milestone is Reached

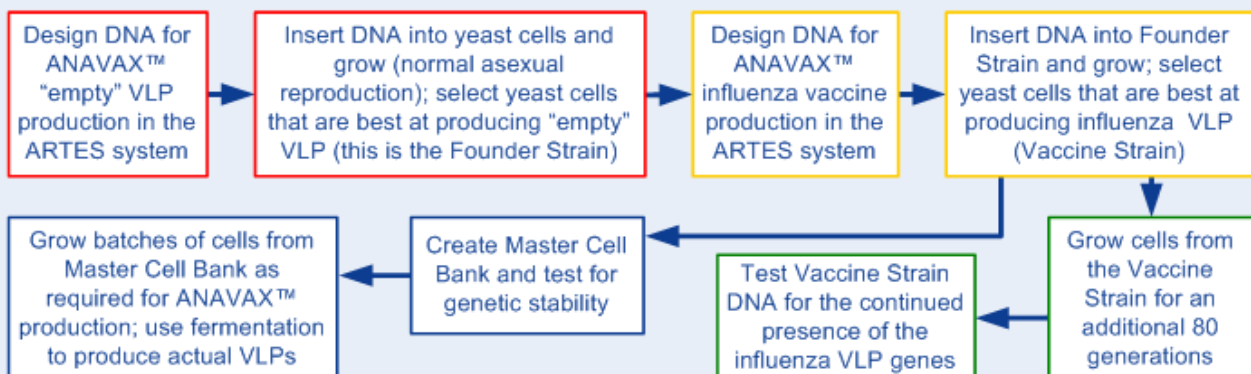
VLP vaccine production is carried out with advanced bio-manufacturing technology that was developed for industrial biotech applications. All VLP vaccines are produced in cell-based systems, usually using either yeast or mammalian cells. Select Vaccines has been working with its European sub-contractor, ARTES Biotechnology GmbH, to produce a proof-of-concept batch of avian (H5) influenza VLPs in yeast.

At the start of April, we confirmed that the ARTES system can be used to achieve stable expression of ANAVAX™ H5 influenza

The ARTES Yeast Expression System

ARTES Biotechnology is a European biotechnology company. They have two proprietary strains of yeast that they use for biological manufacturing. These yeast strains have been engineered to produce large quantities of protein material when given the appropriate instructions (encoded in DNA). Select Vaccines is using ARTES' *Hansenula Polymorpha* system, which has previously been used to produce everything from nutritional supplements and vaccines to photography materials and industrial enzymes.

THE PROCESS



STAGE 1: These steps are complete; they only needed to be done once.

STAGE 2: These steps are complete for ANAVAX™ H5 Influenza Vaccine; they need to be repeated for each new vaccine

PROOF OF CONCEPT: These steps have been completed; they will not be repeated for other ANAVAX™ products.

STAGE 3: These steps have not been completed; they will be needed for all ANAVAX™ products.

vaccine. Yeast cells have been genetically altered to produce the Company's avian influenza VLP, and can now be stored frozen for as long as necessary. When the Company requires a batch of ANAVAX™ H5 influenza vaccine, e.g. for toxicology testing, the modified yeast cells can be thawed and grown using standard, large-scale yeast fermentation systems, from which VLPs are then harvested. In this way, large quantities of ANAVAX™ H5 influenza vaccine can be produced without the need for further genetic manipulation of the yeast cells.

The ARTES system has been used to achieve a key manufacturing goal with Select Vaccines' lead ANAVAX™ candidate for influenza. While this particular product is being developed for H5 influenza, commonly known as "bird 'flu", the proof of concept has much wider implications because it provides confirmation that the ARTES technology can be applied to produce other ANAVAX™ candidates for influenza, malaria, and other diseases. One such potential application, the ANAVAX™ M2e influenza vaccine, is introduced below.

The accomplishment of this manufacturing milestone is an important step on Select Vaccines' path towards large-scale preclinical toxicology and clinical studies with ANAVAX™ vaccines. This important advance also puts the Company in a stronger position to hold partnering and collaboration discussions concerning the company's ANAVAX™ products. Completing a proof-of-concept manufacturing study within 5 years of IPO is an achievement of which we are proud.

Preclinical Progress with Influenza Vaccine

The Company's preclinical vaccine program also made progress in the last quarter. As we announced in December 2007, preclinical studies with our ANAVAX™ M2e influenza vaccine have been ongoing. M2e is widely recognised as the target for a "universal influenza vaccine". It refers to a small part of the influenza M2 protein that protrudes from the surface of infected cells and virus particles. This small region is almost identical in all known strains of 'flu, dating right back to the deadly 1918 pandemic influenza ("Spanish 'flu"). A successful M2e vaccine could be a useful addition to annual 'flu shots, as well as a valuable first line of defence against any new "super-strain" of pandemic influenza.

The most recent study performed by Select Vaccines was undertaken in rabbits. One of the two initial VLP designs showed promise as a vaccine candidate, and the second was ineffective. This information can be used to optimise the design of future ANAVAX™ M2e influenza vaccines. At present, Select Vaccines does not plan to continue development of an ANAVAX™ M2e influenza vaccine, preferring to concentrate resources on its later-stage programs. However, we believe this successful experiment will help in future to negotiate the best possible licensing package for influenza applications of the Company's ANAVAX™ technology, as it forms part of a package of ANAVAX™ influenza vaccines that can be offered by the Company.

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