



ASX ANNOUNCEMENT

14 December 2006

Management Incentive Options

Imugene (ASX:IMU) has resolved to issue up to 4.35 million incentive options to management including executive directors.

The options are subject to vesting terms including achievement of certain milestones and once vested will be exercisable at 25 cents on or before 31 December 2009.

A total of 1.35m options will be granted to Imugene's senior management, principally, Dr Michael Sheppard, Chief Scientific Officer.

The balance of 3m options are proposed to be issued to Dr Warwick Lamb, Managing Director (2.5m options) and Mr Graham Dowland, Chairman (0.5m options) subject to the following vesting conditions:

- (a) 50% of the options will vest to the holder after 12 months from grant date provided the holder continues to hold the office of Managing Director or Chairman of Imugene, and
- (b) 50% of the options may only be exercised following the completion of a successful pilot trial of either Imugene's Avian Influenza vaccine candidate, Coccidiosis vaccine candidate or the Porcine Adenovirus vaccine candidate being developed for Merial.

The Board of Imugene considers that the issue of the incentive based options represents a cost-effective and efficient method to reward and incentivise senior management including the executive directors, Dr Lamb and Mr Dowland. Alternative forms of incentive including the payment of additional cash compensation are not considered as appropriate as the proposed issue of options.

In determining the terms and the number of options to be granted, consideration was given to the relevant experience and roles of each member of the executive management team, their respective overall remuneration terms, the current market price of the Company's ordinary shares and the terms of options packages granted to senior management of other companies within the biopharmaceutical industry.

The grant of options is designed to encourage Imugene's executive management team to continue their concentrated involvement in the achievement of the Company's objectives and to provide an incentive for them to continue to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

On 27 November 2003 Dr Lamb and Mr Dowland were each granted 2.5m options and Dr Sheppard granted 1m options. These options were granted in 3 tranches, subject to vesting conditions and exercisable at \$0.25 to \$0.30 per share. The purpose of the

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options was to provide an incentive to each executive and to secure their services for the duration of their vesting period through to the end of 2006. These options are due to expire on 31 December 2006 and accordingly, the Company is now seeking to continue to incentivise its senior management beyond this date.

A Notice convening a General Meeting of shareholders on 18 January 2007 will be sent to shareholders shortly seeking approval for the issue of options to Dr Lamb and Mr Dowland.

About Imugene

Imugene specialises in commercialising animal health products for production animals including pigs and poultry.

Imugene owns the worldwide rights to the *Fowl Adenoviral Vector Delivery System* for poultry and the *Porcine Adenoviral Vector Delivery System* for pigs. Imugene has successfully licensed the first product based on the *Fowl Adenoviral Vector Delivery System* – the *Poultry Productivity Enhancer*.

Imugene's poultry and pig portfolio is targeting a worldwide US\$3 billion annual market with four lead vaccine products under development and a strong product pipeline. Consumer demands for disease free and residue free food will bolster Imugene's prospects.

Imugene's products safely prevent disease and reduce or eliminate antibiotics and harmful chemicals in animals. Animal antibiotics and chemicals in the human food chain have been linked to the emergence of dangerous resistant bacteria in people and food residues.

For more information please visit the Imugene Website www.imugene.com

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