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**Notice of General Meeting**

**A General Meeting of the Company will be held at 4.00 pm on 18 January 2007 (WST) at Level 20, 77 St Georges Terrace, Perth, Western Australia.**

*This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9440 2640.*

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# IMUGENE LIMITED

ABN 99 009 179 551

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## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of the Company will be held at 4 pm on 18 January 2007 (WST) at Level 20, 77 St Georges Terrace, Perth Western Australia ("Meeting").

The Proxy Form forms part of this Notice of Annual General Meeting ("Notice").

An Explanatory Memorandum containing information in relation to the Resolutions.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 5.00 pm on 16 January 2007 (WST).

## AGENDA

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### Resolution 1. Grant of Options to Managing Director, Dr Warwick Lamb

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant 2,500,000 options to acquire fully paid ordinary shares in the capital of the Company to Dr Warwick Andrew Lamb and / or his nominee(s) on the terms and conditions set out in the Explanatory Statement"*

#### Voting exclusion statement

For the purposes of Listing Rule 7.3 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on Resolution 1 by Dr Warwick Andrew Lamb or any associates of Dr Lamb, unless it is cast:

- By a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- By the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

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### Resolution 2. Grant of Options to Chairman, Mr Graham Dowland

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to grant 500,000 options to acquire fully paid ordinary shares in the capital of the Company to Mr Graham Rochford Dowland and / or his nominee(s) on the terms and conditions set out in the Explanatory Statement"*

#### Voting exclusion statement

For the purposes of Listing Rule 7.3 and section 224 of the Corporations Act 2001, the Company will disregard any votes cast on Resolution 1 by Mr Graham Rochford Dowland or any associates of Mr Dowland, unless it is cast:

- By a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- By the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

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By Order of the Board

Roger Steinepreis  
Director  
11 December 2006

# **EXPLANATORY STATEMENT**

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This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at a General Meeting of Shareholders to be held on 18 January 2007.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in the Explanatory Statement are defined in the Glossary.

## **1. Resolutions 1 & 2**

### **Grant of Options to Managing Director, Dr Warwick Lamb And Grant of Options to Chairman, Mr Graham Dowland**

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#### 1.1 Background

##### Dr Lamb

It is proposed to grant up to 2,500,000 incentive options each exercisable at \$0.25 on or before 31 December 2009 ("Incentive Options - Lamb") to the Managing Director of the Company, Dr Warwick Andrew Lamb. The terms of the Incentive Options are set out in Annexure A.

The Incentive Options may only be exercised as follows:

- (a) 1,250,000 Incentive Options will vest to Dr Lamb 12 months from grant date provided he continues to hold the office of Managing Director of Imugene.
- (b) 1,250,000 Incentive 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.

##### Mr Dowland

It is proposed to grant up to 500,000 incentive options each exercisable at \$0.25 on or before 31 December 2009 ("Incentive Options - Dowland") to the Chairman of the Company, Mr Graham Rochford Dowland. The terms of the Incentive Options are set out in Annexure B.

The Incentive Options may only be exercised as follows:

- (a) 250,000 Incentive Options will vest to Mr Dowland 12 months from grant date provided he continues to hold the office of Chairman of Imugene.
- (b) 250,000 Incentive 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.

#### 1.2 Reward and incentive

Under the Company's current circumstances the Directors consider that the issue of the Incentive Options represents a cost-effective and efficient method to reward and incentivise Dr Lamb, the Managing Director and Mr Dowland, the Chairman, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number and terms of Incentive Options proposed to be issued to Dr Lamb and Mr Dowland was negotiated by the Directors. In determining these terms and the number of Incentive Options to be

granted consideration was given to the relevant experience and roles of each of Dr Lamb and Mr Dowland their respective overall remuneration terms, the current market price of Shares and the terms of options packages granted to directors of other companies within the biopharmaceutical industry.

The grant of Incentive Options is designed to encourage Dr Lamb and Mr Dowland 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, following shareholder approval, Dr Lamb and Mr Dowland were each granted 2,500,000 options in 3 tranches, subject to vesting conditions and exercisable at \$0.25 to \$0.30 per share. The purpose of the options was to provide an incentive to each of Dr Lamb and Mr Dowland and to secure their services for the duration of their vesting period. These options are due to expire on 31 December 2006 and accordingly the Company is now seeking to continue to incentivise Dr Lamb and Mr Dowland beyond this date.

### 1.3 Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, a Director is considered to be a related party of the Company. Resolution 1 provides for the grant of Incentive Options to a Director which is a financial benefit which requires Shareholder approval.

### 1.4 Current Holdings

Dr Lamb has the following interests in securities of the Company (all of which are held directly):

<b>Fully paid ordinary shares</b>	<b>6,400,001</b>	
<b>Options expiring 31 December 2006</b>		<b>Exercise Price</b>
Tranche 1	1,000,000	\$0.30
Tranche 2	750,000	\$0.25
Tranche 3	<u>750,000</u>	\$0.25
<b>Total</b>	<b><u>2,500,000</u></b>	

Mr Dowland has the following interests in securities of the Company:

<b>Fully paid ordinary shares</b>	<b>6,790,002*</b>	
<b>Options expiring 31 December 2006</b>		<b>Exercise Price</b>
Tranche 1	1,000,000	\$0.30
Tranche 2	750,000	\$0.25
Tranche 3	<u>750,000</u>	\$0.25
<b>Total</b>	<b><u>2,500,000</u></b>	

\* Held by Mr Dowland's spouse, Mrs Treffina Dowland.

## 1.5 Information Requirements

For the purposes of Chapter 2E of the Corporations Act the following information is provided:

- **The related party to whom the proposed resolutions would permit the financial benefit to be given:**

The Related Parties to whom the proposed resolution no. 1 would permit financial benefits to be given is Dr Warwick Andrew Lamb and / or his nominee(s).

The Related Parties to whom the proposed resolution no. 2 would permit financial benefits to be given is Mr Graham Rochford Dowland and / or his nominee(s).

- **The nature of the financial benefit**

Resolution 1. The proposed financial benefit to be given is the grant of 2,500,000 Incentive Options for no consideration to Dr Warwick Andrew Lamb and / or his nominee(s), related parties of the Company.

The terms and conditions of the options to be granted to Dr Lamb are set out in Annexure A to this Explanatory Statement.

Resolution 2. The proposed financial benefit to be given is the grant of 500,000 Incentive Options for no consideration to Mr Graham Rochford Dowland and / or his nominee(s), related parties of the Company.

The terms and conditions of the options to be granted to Mr Dowland are set out in Annexure B to this Explanatory Statement.

- **Directors' recommendation**

### Resolution No.1

All the Directors were available to make a recommendation.

All Directors other than Dr Lamb, recommend that Shareholders vote in favour of Resolution No 1.

Dr Lamb declines to make a recommendation about Resolution 1 as he has a material personal interest in the outcome of that particular decision by virtue of the fact that it relates to the proposed grant of options to him for no consideration. The other Directors have no interest in the outcome of Resolution 1.

### Resolution No 2

All the Directors were available to make a recommendation.

All Directors other than Mr Dowland, recommend that Shareholders vote in favour of Resolution No 2.

Mr Dowland declines to make a recommendation about Resolution 2 as he has a material personal interest in the outcome of that particular decision by virtue of the fact that it relates to the proposed grant of options to him for no consideration. The other Directors have no interest in the outcome of Resolution 2.

### **Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

Resolution 1 would have the effect of giving power to the Directors to grant up to 2,500,000 Incentive Options, on the terms and conditions as set out in Annexure A to this Explanatory Statement and as otherwise mentioned above.

If any of the 2,500,000 Incentive Options proposed to be granted pursuant to Resolution 1 are exercised the effect would be to dilute the shareholding of existing Shareholders. Assuming all options the subject of Resolution 1 are exercised, the total dilution caused by the exercise of the Incentive Options would be approximately 1.9%. The market price of the Shares during the period of the Incentive Options will normally determine whether or not option holders exercise the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

Resolution 2 would have the effect of giving power to the Directors to grant up to 500,000 Incentive Options, on the terms and conditions as set out in Annexure B to this Explanatory Statement and as otherwise mentioned above.

If any of the 500,000 Incentive Options proposed to be granted pursuant to Resolution 2 are exercised the effect would be to dilute the shareholding of existing Shareholders. Assuming all options the subject of Resolution 1 are exercised, the total dilution caused by the exercise of the Incentive Options would be approximately 0.4%. The market price of the Shares during the period of the Incentive Options will normally determine whether or not option holders exercise the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on the ASX over the 12 months ending on 08 December 2006 and prior to the issue of this Notice of Meeting:

Security	Highest Price	Date of Highest Price	Lowest Price	Date of Lowest Price	Latest Price on 08 December 2006	Volume Weighted Average Share Price over 12 months
Ordinary Shares	\$0.22	20/11/06 & 27/11/06	\$0.10	27/06/06 9/10/06 & 11/10/06	\$0.185	\$0.15

The base salary or directors' fees per annum (including superannuation) and the total financial benefit estimated to be received by Dr Lamb and Mr Dowland in this current period (financial year to end 30 June 2007) as a result of the grant of Incentive Options the subject of Resolution 1 & 2 is as follows:

Director	Base salary / fees p.a. (\$)	Calculated Value of Proposed Options (\$)*	Total Financial Benefit (\$)
Dr Warwick Andrew Lamb	250,000	168,500	418,500
Mr Graham Rochford Dowland	150,000	33,700	183,700

\* Based on the Black-Scholes Option Pricing Model valuation of these options using a preferred volatility factor of 60%, calculated as described below.

Other than as set out above Dr Lamb and Mr Dowland receive no other emoluments from the Company.

#### Valuation of Incentive Options proposed to be granted to Dr Lamb & Mr Dowland.

The above valuation was prepared using the Black-Scholes Option Pricing Model ("B&S Model"), which is the most widely used and recognised model for pricing options, as at 11 December 2006. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the B&S Model is a function of a number of variables. Their assessment of the value of the options has been prepared using the following assumptions:

Variable	Input
Share price*	\$0.185
Exercise price	\$0.25
Risk Free Interest Rate**	5.9%
Time (years) to expiry	3 years
Volatility***	60%

\* The underlying security spot price used for the purposes of this valuation is based on the closing price of the Company' Shares as at 08 December 2006, being \$0.185

\*\* The 3 year Commonwealth government bond rate as at 08 December 2006

\*\*\*

The Company believes that a volatility factor of 60% based on the Company's historical volatility is the most appropriate indicator of future price volatility. In addition the Company has calculated the Incentive Option value using a volatility of 40% and 80% as a means of determining the sensitivity of option value to changes in volatility. The results of these sensitivity calculations are set out below:

<b>Volatility Factor</b>	<b>Calculated Value per Incentive Option</b>	<b>Implied financial benefit For Dr Lamb's 2,500,000 proposed options</b>	<b>Implied financial benefit For Mr Dowland's 500,000 proposed options</b>
40%	\$0.0456	\$106,750	\$21,350
60%	\$0.0707	\$168,500	\$33,700
80%	\$0.0936	\$225,000	\$45,000

Any changes in the variables applied in the B&S Model between the date of valuation and the date the Incentive Options are granted will have an impact on their value

The valuations reflected above do not necessarily represent the market values of the Incentive Options or the tax values for taxation purposes to the option holder. The future value of the Incentive Options may be higher or lower than the values noted above as it will primarily depend on the future price of a Share over the next 3 years and the time to expiry of the Incentive Options. It should also be noted that no discount has been applied to the calculated value of the Incentive Options to allow for the fact that they are subject to vesting conditions which have not yet been satisfied or for the fact that they will not be listed.

#### 1.6 Regulatory Requirements - Listing Rule 10.11

Listing Rule 10.11 requires Shareholders' approval by ordinary resolution to any issue by a listed company of securities to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the issue of Incentive Options to Directors which are the subject of resolutions 1 and 2.

If approval is given for the issue of the Incentive Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

#### 1.7 Additional Information

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in respect of the proposed issue of Options to Dr Lamb:

- (a) the Incentive Options – Lamb will be granted to Dr Warwick Andrew Lamb.
- (b) the maximum number of Incentive Options which may be granted pursuant to Resolution 1 is 2,500,000;
- (c) the Incentive Options will be granted on a date which will be no later than one month after the date of this Meeting;
- (d) the Incentive Options will be granted for no consideration on the terms and conditions set out in Annexure A of this Explanatory Statement;
- (e) the required voting exclusion statements are included in the Notice; and
- (f) no funds will be raised by the grant of the Incentive Options.

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in respect of the proposed issue of Options to Mr Dowland:

- (a) the Incentive Options – Dowland will be granted to Mr Graham Rochford Dowland.
- (b) the maximum number of Incentive Options which may be granted pursuant to Resolution 2 is 500,000;
- (c) the Incentive Options will be granted on a date which will be no later than one month after the date of this Meeting;

- (d) the Incentive Options will be granted for no consideration on the terms and conditions set out in Annexure B of this Explanatory Statement;
- (e) the required voting exclusion statements are included in the Notice; and
- (f) no funds will be raised by the grant of the Incentive Options.

The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolutions 1 and 2

## Glossary

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In this Explanatory Statement, the following terms have the following meanings unless the context otherwise requires:

<b>“ASIC”</b>	Australian Securities and Investments Commission
<b>“ASX”</b>	ASX Limited, trading as Australian Securities Exchange
<b>“Board”</b>	board of Directors
<b>“Chair”</b>	Mr Graham Dowland or such other person appointed chairman in accordance with the Constitution
<b>“Company” or “Imugene”</b>	Imugene Limited ABN 99 009 179 551
<b>“Constitution”</b>	constitution of the Company
<b>“Corporations Act”</b>	<i>Corporations Act 2001 (Cth)</i>
<b>“Director “</b>	director of the Company
<b>“Share”</b>	fully paid ordinary share in the capital of the Company
<b>“Shareholder”</b>	a holder of a Share

**IMUGENE LIMITED**

ABN 99 009 179 551

**PROXY FORM**

The Company Secretary  
Imugene Limited

**By delivery:**  
Level 20, 77 St Georges Terrace  
PERTH WA 6000

**By post:**  
GPO Box 2530  
PERTH WA 6001

**By facsimile:**  
+61 8 9440 2699

I/We

<sup>1</sup> \_\_\_\_\_

of \_\_\_\_\_

being a Shareholder/Shareholders of the Company and entitled to \_\_\_\_\_

votes in the Company, hereby appoint <sup>2</sup> \_\_\_\_\_

or failing such appointment the chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 4.00 pm on 18 January 2007 (WST) at Level 20, 77 St Georges Terrace, Perth, Western Australia and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is \* [ ]% of the Shareholder's votes\*/ [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

**INSTRUCTIONS AS TO VOTING ON THE RESOLUTIONS**

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Resolution 1 Grant of Incentive Options – Lamb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Grant of Incentive Options - Dowland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OR**

In relation to these Resolutions, if the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on these Resolutions and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman intends to vote in favour of these Resolutions.

**IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO RESOLUTIONS 1 TO 2 YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO RESOLUTIONS 1 TO 2 WILL BE DISREGARDED.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

**Authorised signature/s** This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

<sup>1</sup>Insert name and address of shareholder

<sup>2</sup>Insert name and address of proxy

\*Omit if not applicable

**Proxy Notes:**

A Shareholder entitled to attend and vote at the Meeting may appoint a person or a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that meeting, the representative of the corporation to attend the meeting must produce the appropriate Certificate of Appointment of Representation prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:                    where the holding is in more than one name all of the holders must sign.

Power of Attorney:            if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                      a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 20, 77 St Georges Terrace, Perth, WA, 6000, or by post to PO Box 2530, Perth, WA, 6001 or Facsimile (08) 9440 2699 if faxed from within Australia or +618 9440 2699 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).

## ANNEXURE "A"

### INCENTIVE OPTIONS - LAMB

#### TERMS AND CONDITIONS OF INCENTIVE OPTIONS

1. Each option shall be issued for no consideration.
2. Each option entitles the holder to subscribe for one ordinary share in Imugene Limited ACN 009 179 551 ("Company") upon the payment of \$0.25 per share subscribed for.
3. The options will lapse at 5.00 pm, Western Standard Time on 31 December 2009 ("Expiry Date").
4. The options may be transferred to a related party of Dr Warwick Andrew Lamb at any time in whole or in part.
5. The options may only be exercised as follows, subject to the Board of the Company having absolute discretion to waive any conditions which are required to be satisfied before the options are exercisable:
  - a. Subject to conditions 14 and 15, 1,250,000 options are exercisable on a date commencing 12 months from their granting, provided that Dr Lamb continues to hold the office of Managing Director of the Company;
  - b. Subject to condition 15, 1,250,000 options are exercisable on a date commencing on completion of a successful pilot trial (as determined by the Board) of either Imugene's Avian Influenza vaccine candidate, Coccidiosis vaccine candidate or the Porcine Adenovirus vaccine candidate being developed for Merial.
6. The options will not be listed for official quotation on the ASX.
7. There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
8. Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 10 business days before books closing date to exercise the options.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. the options shall be exercisable at any time until the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by it.

11. The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options.
12. The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
13. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

where:

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

14. If Dr Lamb's appointment with the Company ceases or is terminated by the Company for any reason other than for disciplinary reasons, the options may be exercised within 30 days of the cessation of termination of the holder's appointment with the Company provided that:
  - a. The options have not lapsed pursuant to condition 3; and
  - b. The options are entitled to be exercised pursuant to condition 5.b.
15. Notwithstanding any other terms and conditions, all options may be exercised:
  - a. During a Bid Period
  - b. At any time after a Change in Control or Sale of Major Asset event has occurred
  - c. On an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
16. In these terms and conditions:
 

**"Bid Period"** in relation to a takeover bid in respect to Shares in the Company, has meaning defined in section 9 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the the service of a bidder's statement on the company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement.

**"Change of Control"** means a shareholder, or a group of associated shareholders

  - a. Becoming entitled to sufficient Shares in the company to give it or them the ability, in general meeting, to replace all or a majority of the Board; or,
  - b. Gaining the ability to control more than 50% of the Voting Power (as defined in the Corporations Act) in the Company.

**"Sale of Major Asset"** means the disposal of assets of the Company or its subsidiaries representing in excess of 50% of the consolidated net assets of Imugene.

Other capitalised terms are defined in the Glossary forming part of the Explanatory Statement.

## ANNEXURE "B"

### INCENTIVE OPTIONS - DOWLAND

#### TERMS AND CONDITIONS OF INCENTIVE OPTIONS

- 1) Each option shall be issued for no consideration.
- 2) Each option entitles the holder to subscribe for one ordinary share in Imugene Limited ACN 009 179 551 ("Company") upon the payment of \$0.25 per share subscribed for.
- 3) The options will lapse at 5.00 pm, Western Standard Time on 31 December 2009 ("Expiry Date").
- 4) The options may be transferred to a related party of Mr Graham Dowland at any time in whole or in part.
- 5) The options may only be exercised as follows, subject to the Board of the Company having absolute discretion to waive any conditions which are required to be satisfied before the options are exercisable:
  - a) Subject to conditions 14 and 15, 250,000 options are exercisable on a date commencing 12 months from their granting, provided that Mr Dowland continues to hold the office of Chairman of the Company;
  - b) Subject to condition 15, 250,000 options are exercisable on a date commencing on completion of a successful pilot trial (as determined by the Board) of either Imugene's Avian Influenza vaccine candidate, Coccidiosis vaccine candidate or the Porcine Adenovirus vaccine candidate being developed for Merial.
- 6) The options will not be listed for official quotation on the ASX.
- 7) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- 8) Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 10 business days before books closing date to exercise the options.
- 9) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- 10) the options shall be exercisable at any time until the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by it.
- 11) The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options.
- 12) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- 13) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

where:

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

14) If Mr Dowland's appointment with the Company ceases or is terminated by the Company for any reason other than for disciplinary reasons, the options may be exercised within 30 days of the cessation of termination of the holder's appointment with the Company provided that:

- a) The options have not lapsed pursuant to condition 3; and
- b) The options are entitled to be exercised pursuant to condition 5.b.

15) Notwithstanding any other terms and conditions, all options may be exercised:

- a) During a Bid Period
- b) At any time after a Change in Control or Sale of Major Asset event has occurred
- c) On an application under section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

16) In these terms and conditions:

**"Bid Period"** in relation to a takeover bid in respect to Shares in the Company, has meaning defined in section 9 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement.

**"Change of Control"** means a shareholder, or a group of associated shareholders becoming entitled to sufficient Shares in the company to give it or them the ability, in general meeting, to replace all or a majority of the Board; or, gaining the ability to control more than 50% of the Voting Power (as defined in the Corporations Act) in the Company.

**"Sale of Major Asset"** means the disposal of assets of the Company or its subsidiaries representing in excess of 50% of the consolidated net assets of Imugene.

Other capitalised terms are defined in the Glossary forming part of the Explanatory Statement

