

Imugene Update

30 April 2007

Quarterly Report – to 31 March 2007

Highlights:

- **Final results from the bird flu vaccine efficacy trial confirm the successful interim results announced in January 2007**
- **Bird flu vaccine success confirms the FAV platform technology as suitable for delivery of oral vaccines. This is potentially the world's first easy-to-administer bird flu vaccine**
- **Bird flu vaccine becomes the second Imugene poultry product to achieve proof of concept and advance into product development phase**
- **Poultry vaccine candidates for coccidiosis disease finalised and trial protocol designed and agreed – trial awaiting Australian trial venue and timing being undertaken by collaboration partner – Abic Biological Laboratories Teva Ltd**
- **Pig vaccine candidates for 'PRRS' disease to begin trial in the US by June**

Avian influenza – protecting poultry from bird flu

In January 2007 Imugene's new bird flu vaccine for broilers achieved commercial proof of concept in trials undertaken in a high security bio-containment facility in Nebraska USA. These vaccines are designed to protect chickens and be orally administered in drinking water to large populations of birds. In March, Imugene received the full and final trial results that confirmed the successful January efficacy results.

On achieving the proof of concept the vaccine for broiler birds was moved into product development. The initial stages of the product development phase include a trial to optimise the dose and timing of administration to achieve protection against the H5N1 virus at the earliest possible age and possibly with a single dose. Alternative routes of administration such as injection into the egg will also be trialed to obtain immunity at the earliest possible age.

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Funding the vaccine development is greatly assisted by the recently awarded Commercial Ready Grant by the Australian Federal Government. The \$880,000 grant will continue to be drawn over the next 18 months on a dollar for dollar basis as development progresses.

Following receipt of the final proof of concept trial results several international animal health companies have expressed interest in the vaccine. Imugene has provided certain vaccine data to allow them to understand the vaccines' characteristics and commercial advantages. Discussions so far have been solely on the science behind the Imugene vaccine. Imugene intends to continue to develop the bird flu vaccine prior to offering licenses. This should maximise the license value for shareholders.

About the Imugene avian influenza vaccines

Imugene is developing two vaccines – one for broiler (meat producing) birds and the other for breeding and egg layer birds. The commercial requirements for broilers and breeders or layers vary. The main aim for a commercial bird flu vaccine for broilers is to provide immunity early in a bird's life as broilers reach market weight by 42-49 days of age. Layer birds and birds used for broiler breeding need longer lasting immunity.

An effective orally administered vaccine could protect the world's poultry industry from avian influenza outbreaks and halt the spread to Australia, Europe and the US.

A commercially viable vaccine to control outbreaks must be safe, effective and able to be quickly and easily administered on a large scale.

Imugene's vaccine under development:

- allows authorities to differentiate between infected and vaccinated birds
- delivers only a portion of flu genetic material ensuring the vaccines are safe by preventing mutations or recombination
- is cost effective for mass administration to entire poultry sheds probably as a drinking water additive
- is specific to the H5N1 avian influenza but can be readily adapted to protect against other bird flu virus strains
- does not require each bird to be injected as does most existing treatments

The vaccine under development for the Breeder and Layer birds did not achieve proof of concept in the January completed trial. While some birds were protected from the bird flu virus, the percentage protection achieved was just below that required for proof of concept. Imugene is undertaking design modifications of this vaccine candidate.

Poultry Productivity Enhancer (PPE)

Imugene's PPE global licence to Merial is an important validation of the FAV platform technology from a major international animal health pharmaceutical company. Merial is managing commercial development, global marketing and distribution of the PPE.

Late in 2006, Merial remitted a milestone payment for the continued progress of the PPE product development. Imugene will earn further milestone payments that will increase in amounts with the further product development. When the product sells on worldwide markets Imugene will receive royalty payments on sales.

The PPE remains on track to become Imugene's first vaccine product in the market.

Merial is a world-leading, innovation-driven animal health company producing pharmaceutical products and vaccines for livestock, pets and wildlife. Millions of doses of Merial products are administered each year to keep livestock and pets healthy.

Merial employs about 5,000 people and operates in more than 150 countries. Its annual sales are over A\$2 billion. Merial is a joint venture of Merck & Co. and sanofi-aventis. www.merial.com

Poultry coccidiosis vaccines

The remaining laboratory work on the coccidiosis vaccine candidates is now complete. Sufficient quantity of the vaccine material has also been prepared for the proposed bird trial.

These vaccine candidates have been prepared for Abic Biological Laboratories Teva Ltd, (Abic); the animal health division of Israel-based Teva Pharmaceutical Industries Ltd. Imugene constructed the vaccines for trial based on its patented FAV Delivery System technology using patented coccidia genes supplied and owned by Abic.

Imugene has provided input into the trial design and the candidates are awaiting delivery to Abic to begin the poultry trials. Abic proposes to undertake the vaccine candidate trials in Australia.

Coccidiosis is one of the most common and costly diseases in poultry and is prevalent worldwide. The disease causes weight loss and poor feed conversion and the death rate in chicks and adult birds can be high. Coccidia is the second biggest poultry health product area, second to poultry in-feed antibiotics.

Pig PRRS vaccine trial to begin in US by June 07

Imugene's PRRS (Porcine Reproductive and Respiratory Syndrome) vaccine candidates have now been completed and sufficient doses are now ready for shipping to the selected US trial site. The trial protocol has been agreed and contracts finalised with the US trial facility. We anticipate this trial to start in June 07 pending the finalisation of the US import permits for the vaccine material.

PRRS is one of the most economically damaging diseases of pigs worldwide causing industry losses of up to \$1 billion each year. Initially recognised in the US in 1987 the disease spread to Europe in 1990 and subsequently across most of the world. Australia is one of three countries to be considered PRRS-free.

Positive results from this trial will strengthen Imugene's licensing negotiations with major international animal health companies.

- ENDS -

About Imugene (ASX: IMU)

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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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

IMUGENE LIMITED

ABN

99 009 179 551

Quarter ended ("current quarter")

31 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(110)	(550)
(b) advertising and marketing	-	-
(c) research and development	(207)	(506)
(d) leased assets	-	-
(e) other working capital	(186)	(792)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	76
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other:		
Government grants	91	484
Other	-	80
Net operating cash flows	(391)	(1,208)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Curent quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(391)	(1,208)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(4)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	(4)
1.14 Total operating and investing cash flows	(391)	(1,212)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(391)	(1,212)
1.21 Cash at beginning of quarter/year to date	1,876	2,697
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	1,485	1,485

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(112)
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

(i)	Executive salaries, bonuses, consulting fees and superannuation entitlements;
(ii)	Reimbursement of expenses;
(iii)	Provision of legal services; and
(iv)	Non-executive directors fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	N /A
3.2	Credit standby arrangements	Nil	N/A

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	635	626
4.2 Deposits at call	850	1,250
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.22)	1,485	1,876

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~ give a true and fair view of the matters disclosed.

Sign here: Date: 30 April 2007
(Director/Company secretary)

Print name: Alex Neuling

+ See chapter 19 for defined terms.