



IMUGENE QUARTERLY UPDATE

31 January 2008

Quarterly Report – 1 October 2007 to 31 December 2007

Quarter Highlights:

- **PAV-PRRS:** Candidate selection trial of the vaccine to prevent Porcine Reproductive & Respiratory Syndrome (PRRS) undertaken in the US. Results enabled selection of an 'optimised' vaccine construct. Lab work has progressed quicker than expected and the optimised PRRS vaccine candidate likely to be ready for efficacy trialing this quarter.
- **FAV-Cocci:** The planned trial of Imugene's vaccine to prevent the major poultry disease coccidiosis, is to be undertaken by collaboration partner – Abic Biological Laboratories Teva Ltd. The trial is expected to commence this quarter.
- **FAV & PAV Regulatory:** Together with our consultants in the US, progress continues in the preparation of regulatory based documentation that will be presented to the US Department of Agriculture in the current quarter. This process is aimed at enhancing the value of our gene delivery platforms to potential licensees for each of the products that use either the FAV or the PAV platform.
- **Corporate:** A capital raising via an underwritten rights issue to shareholders was announced in December. This issue was finalised in January raising \$1.8m through the issue of 13m new shares.
- **FAV – H7N1 & H9N1:** laboratory work continues to progress the construction of the extended range of bird flu vaccines and diagnostic tests.
- **PAV:** Key pig patents granted in USA, China & Korea. PAV patent protection in most major pig producing areas of the world now complete.

FAV – Fowl Adenovirus Vector – Imugene's gene delivery system for poultry

PAV – Porcine Adenoviral Vector – Imugene's gene delivery system for pigs

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PAV – PRRS

Trials to further evaluate Imugene's initial PRRS vaccines were completed at a specialist trial facility in the US. The trial tested three PAV based vaccine candidates and the best performing candidate was chosen to proceed in the product development program.

Imugene also became aware last year of external scientific information which indicated that by modifying part of the existing PAV – PRRS vaccine and adding an additional component the result may be a significant improvement in vaccine efficacy. These identified changes involve genetic engineering and are ideally suited to the PAV vector based system of Imugene's vaccine production.

Laboratory work at Imugene's La-Trobe facility has completed the construction phase of the new 'optimised' vaccine that incorporates the chosen components from the initial trial as well as these recently identified modifications. Lab testing is nearing completion with only one test remaining to be conducted. All other tests have been successful.

Imugene aims to have sufficient vaccine material ready for efficacy trials this quarter with trials to begin as soon as a trial facility contract is finalised. It is likely that these trials will occur in the US.

FAV-Cocci

Imugene's, collaboration partner, Abic Biological Laboratories Teva Ltd, (Abic), has advised that they are seeking to begin the trial of the Imugene poultry vaccines for the prevention of the parasitic disease, Coccidiosis. A start date has yet to be advised, although Imugene believes it will be this current quarter.

Imugene has constructed the vaccine candidates using its patented gene delivery platform and adding Coccidia genetic material owned by Abic. Sufficient trial material has been provided to Abic and Imugene has assisted with the design of the trial protocol. The trial will be undertaken by Abic in accordance with the Imugene and Abic contract research agreement.

Abic is the animal health division of Israel-based Teva Pharmaceutical Industries Ltd

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. Coccidiosis is the second biggest poultry health product area, second to poultry in-feed antibiotics. Estimates of the financial losses caused by this disease to the worldwide broiler industry range as high as US\$1 billion.

FAV & PAV Regulatory

Imugene, together with its US based consultants, is nearing completion of material required for the initial submission documentation to begin the regulatory approval process in the US. At each stage in this regulatory pathway process, the value of the FAV and PAV platform technologies, as well as individual products using these platform technologies, will increase – even before final approvals are achieved. This is important for Imugene's licensing efforts during 2008.

Poultry Productivity Enhancer (PPE)

Merial Limited continues to work with the PPE to refine the production and manufacturing processes that will be used in the commercialisation of this product. Imugene is also assisting with the initial regulatory aspect of the FAV platform technology (the key PPE delivery mechanism) to establish the regulatory parameters that will be applicable to all the FAV vaccine products. Once this regulatory process is progressed, Merial will be able to refine its focus on the manufacturing techniques that are within the parameters identified and agreed with the US Department of Agriculture.

Laboratory Progress - La Trobe

Activities in the lab over the last quarter include:

- construction and testing of the optimised PRRS vaccine candidates – near complete
- construction and initial testing of the H7 & H9 bird flu vaccine candidates
- development of the diagnostic tests for each of Imugene's bird flu vaccines
- finalisation of the PAV-Merial vaccine candidates – all testing completed and material ready for shipment to Merial upon finalisation of contractual arrangements and import permits, and
- construction of vaccine candidates for two chicken diseases – Chicken Anaemia Virus and Infectious Bursal Disease.

Patent Protection

Imugene's patent protection for the PAV technology was greatly extended during the quarter. PAV patents now cover Europe, the US, China, Korea in addition to other major pig producing countries around the world. The granting of the important patents in the US and China now provides Imugene with protection in the world's highest volume and value pig product markets.

Capital Raising

In early December 2007, Imugene announced that \$1.8m was to be raised through a fully underwritten non-renounceable rights issue (Rights Issue). The rights entitlement, on the basis of one share for every ten shares held, was priced at 14 cents per share. This price represented a discount of 36% to the weekly Volume Weighted Average Price of Imugene shares (22 cents) over the preceding 12 months.

The issue was underwritten by Southern Cross Equities Limited for a fee of 5% of the funds raised from the Rights Issue. In addition, all three Directors of the Company undertook to take up their full Rights Issue entitlements (in total amounts to approximately \$244,000), and sub-underwrote, in total, the first \$200,000 of any shortfall arising from the Rights Issue. No fees were paid to the Directors in respect of this sub-underwriting.

The Board appreciates the unwavering support provided by Southern Cross Equities during the period of the issue and shortfall allocation period despite the volatility in stock markets in Australia and internationally.

The issue was recently finalised with 13,057,956 new shares being issued.

Financial

Net cash burn rate per month for the half financial year ended 31 December 2007 equated to \$95,000 per month. It is anticipated that the net cash burn for the financial year to end 30 June 2008 will be approximately \$140,000 per month.

The Company year end cash balance was on budget at \$0.65m. Subsequent to quarter end, the rights issue was finalised which added a further \$1.7m to the 31 December 2007 cash balance.

- 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 December 2007

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) staff costs | (108) | (220) |
| (b) advertising and marketing | - | - |
| (c) research and development | (281) | (577) |
| (d) leased assets | - | - |
| (e) other working capital | (82) | (322) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 11 | 22 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other: | | |
| Government grants | 119 | 525 |
| Other | - | - |
| Net operating cash flows | (341) | (572) |

+ 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 (6 months) \$A'000 |
|--|---------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (341) | (572) |
| 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 | - | - |
| (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 | - | - |
| 1.14 Total operating and investing cash flows | (341) | (572) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. (Rights Issue applications received) | 122 | 122 |
| 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 | 122 | 122 |
| Net increase (decrease) in cash held | (219) | (450) |
| 1.21 Cash at beginning of quarter/year to date | 868 | 1099 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 649 | 649 |

+ 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 | (111) |
| 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) Provision of legal services; and (iii) 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 | 649 | 518 |
| 4.2 Deposits at call | - | 350 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other | - | - |
| Total: cash at end of quarter (item 1.22) | 649 | 868 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|---|-------------------------------|-----------------------------|
| 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: 31 January 2008
(Director/Company secretary)

Print name: Alex Neuling

+ See chapter 19 for defined terms.