

# SHAREHOLDER UPDATE

## JANUARY 2009

*Imugene Limited (ASX Code: IMU) specialises in the development and commercialisation of novel animal health products for pigs and poultry. Our range of products under development includes vaccines to prevent important livestock diseases and productivity enhancers to improve the economics of raising commercial livestock.*

*Our exclusive Strategic Alliance with Merial Limited brings the strength of Merial's vast experience and infrastructure to the development of Imugene's innovative range of vaccine candidates.*

### **October – December 2008 - Quarter Highlights:**

- **Strategic Alliance signed with Merial Limited – 31 December 2008**
- **Initial income totaling US\$2 million (AUD\$2.9 million) received on 31 December 2008**
- **Strategic Alliance income exceeds AUD\$30 million to Imugene within next 7 years**
- **Additional income from further sub-license fees and milestone payments on individual products and ultimately royalties on sales**
- **Imugene translates recent trial successes into a solid income stream**
- **Cashflow positive for the half year**
- **Strong cash income stream from IP achieved well in advance of product sales**
- **Imugene now in a secure financial position moving forward**
- **No foreseeable need to raise further capital**

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[www.imugene.com](http://www.imugene.com)

## Overview

The recent quarter has been one of the most significant in the six year history of the company. Following on from several recent trial successes and product improvements made in Imugene's Melbourne based laboratory, a major commercial deal was signed with Merial. The Strategic Alliance transforms Imugene's business model to utilise the financial, managerial and infrastructural strength of Merial to drive the development of our vaccine technology.

Our strategy moving forward remains focused on shareholder return. Our intention is to use our income stream to continue to run the Melbourne laboratory to support the product trial and development work undertaken by Merial in the US and Europe, and to also provide immediate and increasing returns to our shareholders.

The board has no plans to seek additional projects nor undertake any mergers or acquisitions with other biotech companies. Our major assets, products developed from the FAV and PAV platforms, still have major value increments to be achieved as each product is progressed to generation of royalties from sales.

The funds received to date will enable Imugene to achieve our stated near term goals and eliminates any foreseeable need for raising capital. Accordingly, Imugene is well positioned in this economic climate. The strategic alliance provides a base income which will increase with further sub-licenses, product registration milestone payments and royalty flows from product sales.

Imugene carefully selected Merial as the alliance partner as their expertise in vaccines and biological treatments will be a major benefit to our technology. Upon signing the Strategic Alliance agreement with Imugene, Bob Nordgren, Global Head of Merial Biologicals for Merial stated "We are very pleased to enter this new phase of our relationship with Imugene. This exclusive strategic alliance and licensing agreement gives Merial access to important technology for our innovation of new approaches that could allow our veterinarian customers innovative means for managing important, poorly controlled diseases of swine and poultry. Our relationship dates back to the very beginning of Imugene as a company, and we are confident that Imugene's adenoviral vectors have significant commercial potential for driving the development of important new products in animal health."

## Imugene & Merial – Strategic Alliance

The significant highlight for the quarter was the establishment of an exclusive Strategic Alliance and Sublicensing Agreement with Merial Limited.

The highlights of this Strategic Alliance are:

- *Merial now developing vaccine candidates from Imugene's portfolio*
- *Merial to progress Imugene vaccines to commercial sales*
- *Initial payments totaling AUD\$2.9 million have been made to Imugene*
- *Merial has exclusivity to Imugene's platform adenoviral vector technologies.*
- *Contract value to Imugene exceeds AUD\$30 million over first 7 years*
  - *With additional revenue from:*
    - *Further sublicense and registration milestone fees for each additional vaccine candidate that is to be commercialised*
    - *Royalties from sales*

The recently signed Strategic Alliance grants Merial exclusive use of the Imugene vector technology to progress vaccine candidates through the product development process to global sales. Under the alliance, Merial funds all product development and trial costs of the Vaccine candidates within the Imugene portfolio – existing and future vaccine candidates. Additional vaccine candidates will be evaluated for proof of concept and if successful will also progress into the product development process.

Imugene has received an initial payment of US\$2m (AUD\$2.9m) for reimbursement of past research fees. Further research and licensing payments of US\$19m continue for up to a total of 7 years which allows Merial to assess and commercialise any vaccine candidates developed using the Imugene technology. After this period, Merial will become the exclusive global sublicensee to the FAV & PAV platform technology.

In addition, Merial will sub-license any vaccine product that uses either the FAV or PAV vector technology that is to be commercialised. Merial will pay sublicense fees (in addition to the above Strategic Alliance fees) for each vaccine product, and milestone payments upon first registration for sale of each product. Further income will be generated by royalties on sales.

Royalties are payable on worldwide sales at a base rate of 5 or 6 %. Higher royalty rates are payable on certain products in certain jurisdictions. A mutually agreed minimum royalty income and payment schedule that begins within the Strategic Alliance period has been agreed.

The terms of the Strategic Alliance include the Poultry Productivity Enhancer previously sublicensed to Merial. This vaccine candidate will now be progressed with other FAV vectored vaccine candidates already researched by Imugene and additional vaccine candidates to be disclosed by Merial.

Merial and Imugene have already begun collaborating and planning for the agreed initial vaccine candidates to be reviewed and developed.

### **About Merial**

Merial is a world-leading, innovation-driven animal health company, providing a comprehensive range of products to enhance the health, well-being and performance of a wide range of animals. Merial employs more than 5,400 people and operates in more than 150 countries worldwide. Its 2007 sales were nearly \$2.5 billion. Merial Limited is a joint venture between Merck & Co., Inc. and sanofi-aventis. For more information, please see [www.merial.com](http://www.merial.com)

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### **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'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.



Our commercial strategy is to develop and add value to our products as we progress them towards commercialization and sales. At an appropriate point in the development pathway, our model is to license/collaborate/partner our products to animal health companies to use their global regulatory, manufacturing, marketing and distribution experience and resources to complete the path to market.

Our financial goal is to maximize income through license and royalty income, recouping research costs and contract laboratory work on our products and providing shareholders with dividend flows.

For more information please visit the Imugene Website [www.imugene.com](http://www.imugene.com)

**For more information:**

**Dr Warwick Lamb**  
**Managing Director**  
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**Mr Graham Dowland**  
**Executive Chairman**  
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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 2008

### 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	(114)	(220)
(b) advertising and marketing	-	-
(c) research and development	(217)	(381)
(d) leased assets	-	-
(e) other working capital	(250)	(430)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	46
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Other:		
Government grants	109	239
Research cost reimbursement and Sub-licence fees	2,890	2,890
Other	-	41
<b>Net operating cash flows</b>	<b>2,438</b>	<b>2,183</b>

+ 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)	2,438	2,183
<b>Cash flows related to investing activities</b>		
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)	-	-
<b>Net investing cash flows</b>	-	-
<b>1.14 Total operating and investing cash flows</b>	2,438	2,183
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc. (Rights Issue applications received)	-	-
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)	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	2,438	2,183
1.21 Cash at beginning of quarter/year to date	1,365	1,620
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	3,803	3,803

+ 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	(123)
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, consulting fees and superannuation entitlements; (ii) Non-executive directors fees; and (iii) Rent	

**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
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- 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
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**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

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+ See chapter 19 for defined terms.

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

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**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	3,803	1,365
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	3,803	1,365

**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 ~~not~~ give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2009  
 (Director/Company Secretary)

Print name: Julie Foster

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