

## SHAREHOLDER UPDATE

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

#### **April – June 2009 - Quarter Highlights:**

- **Strong cash position with approximately \$2.5 million on hand at 30 June 2009**
- **Annual positive cashflow of \$959,000**
- **Reduced net operating cash outflow for the quarter of \$87,000**
- **Technology transfer to our strategic alliance partner, Merial, continued throughout the quarter**
- **Swine Flu vaccines complete laboratory construction**
- **Interferon Gamma patent granted in Mexico**

#### **Overview**

Imugene remains in an excellent position, with a strong balance sheet, near term income prospects, with platform technologies generating a portfolio of products progressing towards development, strong intellectual property position and a comprehensive strategic alliance with a major international animal health company.

Imugene has recorded a positive cash operating inflow for the year ended 30 June 2009 of \$959,000. This first positive annual operating cashflow marks an important 'company changing' transition for Imugene. Under the Strategic Alliance, Imugene anticipates maintaining continued strong positive operating cashflows. The Company's cash balance was approximately \$2.5 million at the end of the quarter.

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Net operating cash outflow for the quarter was reduced to \$87,000 after receipt of the R & D rebate from the Australian government. Under the terms of the Strategic Alliance, Merial is responsible for funding future trials, regulatory costs and product development costs. This, combined with Imugene's frugal cost structure, is expected to result in future expenditure levels being maintained or potentially reduced.

Imugene continues to actively assist Merial's development teams in Lyon, France and Atlanta and Athens, USA. Our laboratory at La Trobe remains busy with the production of material for animal trials and laboratory testing being undertaken overseas. We are also continuing the construction of new vaccines such as the recently completed Swine Influenza vaccines for pigs. Further variations for different strains of Swine Influenza are commencing laboratory construction to keep pace with the changing strains of the influenza virus affecting pigs in different parts of the world.

The primary focus of the alliance during the recent quarter, the second quarter of the alliance, has been the transfer of the necessary technology to allow the Merial teams to begin development programs on selected vaccines. A key component of this process has been the manufacture and shipment of sufficient quantity of several lead vaccines to Merial Laboratories in both the USA and France.

### **Imugene's Commercial Strategy**

Imugene's commercial strategy remains strongly focused on adding value to its range of products as they progress from proof of concept towards commercialization and sales. The products are based on a strong platform technology with significant potential for expansion. This platform technology has been developed over the last 6 years and is actively protected by a comprehensive and growing patent portfolio.

Imugene's financial goal is to maximize income through license and royalty income, recouping research costs and contract laboratory work on our products. This income flow can then be utilized to provide shareholders with dividend flows.

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 trials and development work undertaken by Merial in the USA and Europe, and to also provide immediate and increasing returns to our shareholders.

Under the Strategic Alliance, the next few quarters will be a busy time, with the Imugene laboratory providing vaccine material for trials, developing new vaccines and making improvements to existing vaccines based on trial results. Accordingly, the Imugene board remains focused on continuing to increase the value of our platform technology by increasing the number of vaccines under development and progressing to animal trials. With this focus, the Imugene board has no plans to seek additional projects nor undertake any mergers or acquisitions with other biotech companies. Our major assets, products developed from our intellectual property portfolio, still have major value increments to be achieved as each product is progressed toward generation of royalties from sales.

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

### **Imugene's Patent Portfolio**

Imugene continues to focus on the expansion and protection of its intellectual property portfolio. Several patents have been lodged since late 2007, aimed at broadening the intellectual property portfolio and prolonging the patent protection over our expanding product range.

During the quarter, the patent for chicken gamma interferon, the vital component of the Poultry Productivity Enhancer, was granted in Mexico.

The roll out of our recently lodged patent applications through the PCT process continues.

### **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)

### **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. Since establishing a laboratory at La-Trobe University, Victoria, additional vaccine technology has been developed for the pig & poultry industries.

A Strategic Alliance with Merial Limited provides the strength of Merial's vast experience and infrastructure to the development of Imugene's innovative range of vaccine candidates. In return for exclusivity over the Imugene technology, Imugene will receive annual payments, milestone fees and royalties. Further details of the Strategic Alliance can be reviewed on the Imugene website.

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

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

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**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")

30 June 2009

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(133)	(688)
(b) advertising and marketing	-	-
(c) research and development	(188)	(1,004)
(d) leased assets	-	-
(e) other working capital	(80)	(878)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	31	77
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Other:		
Government grants	-	239
Research cost reimbursement and Sub-licence fees	-	2,890
Other	283	324
<b>Net operating cash flows</b>	<b>(87)</b>	<b>959</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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(87)	959
<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>	(87)	959
<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>	(87)	959
1.21 Cash at beginning of quarter/year to date	2,797	1,620
1.22 Exchange rate adjustments to item 1.20	(222)	(91)
1.23 <b>Cash at end of quarter</b>	2,488	2,488

+ 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	(117)
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	
	<div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> <li>(i) Executive salaries, consulting fees and superannuation entitlements;</li> <li>(ii) Non-executive directors fees</li> </ul> </div>	

**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

+ 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	2,488	2,797
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		2,488	2,797

**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 July 2009  
 (Director/Company Secretary)

Print name: Julie Foster

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