

# Interim Financial Report

## February 2010

*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.*

Imugene has today released its Interim Financial results for the period ended 31 December 2009. Full details of the financials are contained in the attached report; the following commentary provides an update on corporate activity and operational highlights for the previous quarter.

### **Update – Discussions with potential partners progress to due diligence stage**

Imugene is pleased to report that it has recently advanced discussions with a number of international animal health companies since the Strategic Alliance Agreement with Merial was terminated in January.

Several of these interested companies have expressed interest in our vector technology following these discussions. Guideline expectations for financial terms and development work have been presented to these interested companies and several have advanced to due diligence activities.

As advised in the Quarterly Shareholder Update, Merial have offered terms for a new alliance agreement, seeking to continue evaluating and developing Imugene's technology. However, the terms of the new offer from Merial do not meet Imugene's financial or development work timing expectations.

Our objective is to form a licensing transaction with an animal health company with the best possible resources, expertise and infrastructure to develop, market and exploit the Imugene range of vector vaccines. The proposed licensing arrangement seeks to maximise income from the receipt of research fees, license and royalty income from the selected alliance partner.

The companies with whom we are dealing all possess these characteristics and are well placed to meet our objectives for the development of the Imugene vaccine range.

Further updates on progress with the Technology Licensing will be made in due course.

ABN 99 009 179 551

Registered Office

Level 20, Allendale Square, 77 St Georges Terrace, Perth WA 6000  
Tel +61 8 9440 2660 Fax +61 8 9440 2699

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

### **Update - vaccine development and intellectual property portfolio**

Consistent with our commercial approach, Imugene is continuing to advance scientific and development work with our lead vaccine products. In order to continue the momentum with the PRRS vaccine, the next development trial is planned to commence by the end of this quarter in the US with a completion date in the second quarter this year. This trial will deliver, among other things, further data on vaccine efficacy and performance characteristics.

We are also progressing our two lead poultry products with additional development trials planned to be undertaken in the US.

In addition, the laboratory at La Trobe University has advanced its work, aimed at improving production efficiencies and overall vaccine effectiveness. The laboratory remains very active and is supporting the development trial work that is being initiated in the US.

Imugene's intellectual property portfolio has also expanded, increasing protection of the Company's pig vaccines and our underlying technology.

### **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 and poultry industries.

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:

**Dr Warwick Lamb**  
**Managing Director**  
**+61 2 9870 7330**

**Mr Graham Dowland**  
**Executive Chairman**  
**+61 8 9440 2660**



ABN 99 009 179 551

## Appendix 4D – 31 December 2009 Half-Year Report

### 1. Reporting Period

The current reporting period is the period ended 31 December 2009 and the previous corresponding period is for the period ended 31 December 2008.

### 2. Results for Announcement to the Market.

	31 December 2009	31 December 2008	% Change
	\$	\$	
2.1 Revenue from ordinary activities.	206,321	3,099,568	93% Decrease
2.2 (Loss) / Profit from ordinary activities after tax attributable to members.	(883,074)	1,920,946	146% Decrease
2.3 Net (loss) / profit for the period attributable to members.	(883,074)	1,920,946	146% Decrease
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period.		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable.		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 31 December 2009.		

### 3. Net Tangible Assets Per Security

	31 December 2009	31 December 2008
	Cents	Cents
Net tangible assets per security	1.2	2.4

**4. Gain or Loss of Control Over Entities**

Not applicable.

**5. Details of Dividend and Distribution Payments**

No dividends or distributions have been paid or provided for during the period.

**6. Dividend Reinvestment Plans**

There are no dividend or distribution reinvestment plans in operation.

**7. Associates and Joint Venture Entities**

Not applicable.

**8. Foreign Entities**

Not applicable.

**9. Audit Dispute or Qualification**

None.



**Interim Financial Report for the Half-Year Ended  
31 December 2009**

# Imugene Limited

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# Imugene Limited

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## Corporate Directory

### **Directors**

Mr Graham Dowland – Chairman  
Dr Warwick Lamb – Managing Director  
Mr Roger Steinepreis – Non-Executive Director

### **Company Secretary**

Ms Julie Foster

### **Registered and Principal Office**

Level 20, Allendale Square  
77 St Georges Terrace  
Perth WA 6000  
Telephone: (61 8) 9440 2660  
Facsimile: (61 8) 9440 2699

### **Laboratory**

C/ - La Trobe University  
Kingsbury Drive  
Bundoora  
Victoria 3086

### **Share Register**

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Australia

Telephone: 1300 557 010  
International: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033

### **Solicitors**

Steinepreis Paganin  
Level 4, 16 Milligan Street  
Perth WA 6000

### **Patent Attorney**

McAndrews Held & Malloy Ltd  
500 West Madison Street  
34<sup>th</sup> Floor  
Chicago, IL 60661

### **Auditor**

BDO Audit (WA) P/L  
38 Station Street  
Subiaco, WA 6008

### **Bankers**

Australia and New Zealand Banking  
Group Limited  
77 St Georges Terrace  
Perth WA 6000

### **Securities Exchange Listing**

Imugene Limited shares  
are listed on the Australian Securities  
Exchange (Symbol: IMU)

### **Website and Email**

[www.imugene.com](http://www.imugene.com)  
[Imugene@imugene.com](mailto:Imugene@imugene.com)

# Imugene Limited

## Directors' Report

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The Directors of Imugene Limited present their report on the Consolidated Entity consisting of Imugene Limited ("the Company" or "Imugene ") and the entities it controlled during the half-year ended 31 December 2009 ("Consolidated Entity" or "Group").

### **Directors**

The names of the Directors of Imugene in office during the half-year and until the date of this report are:

Mr Graham Dowland  
Dr Warwick Lamb  
Mr Roger Steinepreis

Each Director held office from 1 July 2009 until the date of this report.

### **Review and Results of Operations**

#### ***Operating Results***

The Company recorded a net after tax loss of (\$883,074) (2008: net profit of \$1,920,946) for the half-year ended 31 December 2009.

#### ***Summary Review of Operations***

The six months to 31 December 2009 represented the second half of the first year of the Strategic Alliance Agreement with Merial Limited. During this period Merial continued to receive technology transfer from the Imugene laboratories and personnel. In addition, Merial undertook various testing, analytical and development work in relation to Imugene's technology and various vaccines.

The majority of work undertaken by Merial on the Imugene vaccine range was performed at Merial's development laboratories in Lyon, France and Atlanta, US.

Subsequent to the end of the half year, Merial advised that while they wished to continue evaluating and developing Imugene's technology, they wanted to do so under a revised agreement that would be more flexible and better suited to their immediate development requirements for the technology. Consequently, the Strategic Alliance Agreement entered into on 31 December 2008 was terminated subsequent to 31 December 2009.

Revised terms of a new Agreement proposed by Merial subsequent to the end of the period have not met Imugene's financial and timing expectations. In January 2010, Imugene began discussions with several other international animal health companies who have expressed interest in potential licensing of the Imugene vector vaccine technology. As at the date of this report, discussions are continuing with these companies.

During the half year period, the Imugene laboratory at La Trobe University continued to focus on the expansion and protection of the Imugene intellectual property portfolio. This work includes developing techniques to assist with production efficiencies and overall vaccine effectiveness.

# Imugene Limited

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## Directors' Report

### **Auditor's Independence Declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Graham Dowland', with a long horizontal line extending from the end of the signature.

**GRAHAM DOWLAND**

Chairman

Perth, Western Australia

24<sup>th</sup> February 2010

# Imugene Limited

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## Auditor's Independence Declaration



Tel: +8 6382 4600  
Fax: +8 6382 4601  
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38 Station Street  
Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

24 February 2010

Imugene Limited  
Level 20  
77 St Georges Terrace  
PERTH WA 6000

Dear Sirs

### DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF IMUGENE LIMITED

As lead auditor of Imugene Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Imugene Limited and the entities it controlled during the period.

**Peter Toll**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia  
24 February 2010

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BDO is a national association of  
separate partnerships and entities. Liability  
limited by a scheme approved under  
Professional Standards Legislation.

# Imugene Limited

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## Independent Review Report



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### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Imugene Limited

#### **Matters Relating to the Electronic Presentation of the Half-Year Financial Report**

This auditor's report relates to the half-year financial report of Imugene Limited for the year ended 31 December 2009 included on Imugene Limited's web site. The disclosing entity's directors are responsible for the integrity of Imugene Limited's web site. We have not been engaged to report on the integrity of Imugene Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

#### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Imugene Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

#### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its

# Imugene Limited

## Independent Review Report

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performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Imugene Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Imugene Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit WA Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Peter Toll', with the BDO logo above it.

**Peter Toll**  
Director

Subiaco, Perth  
24 February 2010

# Imugene Limited

## Directors' Declaration

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 13 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Imugene Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section.306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



**GRAHAM DOWLAND**

Chairman

Perth, Western Australia

24<sup>th</sup> February 2010

# Imugene Limited

## Consolidated statement of comprehensive income For the half-year ended 31 December 2009

	<b>Consolidated</b>	
	<b>Half-year ended 31 December 2009</b>	<b>Half-year ended 31 December 2008</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	27,566	2,989,015
Other income	178,755	110,553
Research and development	(252,695)	(549,877)
Business development	(82,726)	(77,725)
Commercialisation expenses	(455,725)	(303,067)
Corporate and administration costs	(298,249)	(356,410)
<b>Profit before income tax</b>	<b>3 (883,074)</b>	<b>1,812,489</b>
Income tax benefit	-	108,457
<b>Net (loss) / profit for the half year</b>	<b>(883,074)</b>	<b>1,920,946</b>
Other comprehensive income	-	-
<b>Total comprehensive income attributable to equity holders of Company</b>	<b>(883,074)</b>	<b>1,920,946</b>
<b>(Loss) / earnings per share</b>		
Basic and diluted (loss) / profit per share (cents per share)	<b>(0.6)</b>	1.3

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Imugene Limited

## Consolidated statement of financial position As at 31 December 2009

	Consolidated	
	As at 31 December 2009 \$	As at 30 June 2009 \$
<b>Current assets</b>		
Cash and cash equivalents	1,510,928	2,487,316
Trade and other receivables	178,571	40,873
Tax assets	290,000	290,000
<b>Total current assets</b>	<b>1,979,499</b>	<b>2,818,188</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,211	2,853
Intangible assets	2,771,455	2,942,025
<b>Total non-current assets</b>	<b>2,773,666</b>	<b>2,944,878</b>
<b>Total assets</b>	<b>4,753,165</b>	<b>5,763,066</b>
<b>Current liabilities</b>		
Trade and other payables	208,621	317,833
Provisions	101,270	118,885
<b>Total liabilities</b>	<b>309,891</b>	<b>436,718</b>
<b>Net assets</b>	<b>4,443,274</b>	<b>5,326,348</b>
<b>Equity</b>		
Contributed equity	14,907,453	14,907,453
Reserves	966,003	966,003
Accumulated losses	(11,430,182)	(10,547,108)
<b>Total equity</b>	<b>4,443,274</b>	<b>5,326,348</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# Imugene Limited

## Consolidated statement of changes in equity For the half-year ended 31 December 2009

Consolidated	Attributable to equity holders of the Company			
	Contributed Equity \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2008</b>	14,907,453	960,003	(11,197,394)	4,670,062
Profit for the half-year	-	-	1,920,946	1,920,946
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	<b>1,920,946</b>	<b>1,920,946</b>
<b>Transactions with owners, in their capacity as owners</b>				
Share based payment transaction	-	6,000	-	6,000
	-	6,000	-	6,000
<b>Balance at 31 December 2008</b>	<b>14,907,453</b>	<b>966,003</b>	<b>1,920,946</b>	<b>1,926,946</b>
<b>Balance at 1 July 2009</b>	<b>14,907,453</b>	<b>966,003</b>	<b>(11,430,182)</b>	<b>5,326,348</b>
(Loss) for the half-year	-	-	(883,074)	(883,074)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	<b>(883,074)</b>	<b>(883,074)</b>
<b>Transactions with owners, in their capacity as owners</b>				
<b>Balance at 31 December 2009</b>	<b>14,907,453</b>	<b>966,003</b>	<b>(12,132,256)</b>	<b>4,443,274</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Imugene Limited

## Consolidated statement of cash flows For the half-year ended 31 December 2009

	Consolidated	
	Half-year ended 31 December 2009 \$	Half-year ended 31 December 2008 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	-	2,940,164
Payments to suppliers and employees	<b>(1,034,060)</b>	(1,026,496)
R&D grant (repaid)	-	(12,702)
Other income	<b>30,754</b>	242,305
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(1,003,306)</b>	2,143,271
<b>Cash flows from investing activities</b>		
Interest received	<b>26,918</b>	39,884
<b>Net cash inflow from investing activities</b>	<b>26,918</b>	39,884
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(976,388)</b>	2,183,155
Cash and cash equivalents at the beginning of the half year	<b>2,487,316</b>	1,619,678
<b>Cash and cash equivalents at the end of the half year</b>	<b>1,510,928</b>	3,802,833

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Imugene Limited

## Notes to the condensed financial statements For the half-year 31 December 2009

### 1. Significant accounting policies

#### Basis of preparation

The general purpose financial statements for the half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Imugene Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and the corresponding half-year reporting period.

#### (a) Change in accounting policy

##### (i) Determination and presentation of operating segments

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the CEO.

##### (ii) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in this half year financial statement as of and for the six month period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 2. Profit for the half-year

Profit for the half-year includes no items that are unusual because of their nature, size or incidence.

Profit for the half year ended 31 December 2008 included the following items that were unusual because of their nature, size and incidence:

#### Income

On 31 December 2008 Imugene entered into a Strategic Alliance with Merial Limited, with Imugene receiving an initial payment of \$2,893,572 for reimbursement of past research fees and a licensing fee.

### 3. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2009 (2008: None).

### 4. Segment information

Management has determined, based on the reports reviewed by the CEO that are used to make strategic decisions, that the Group has one reportable segment being the research, development and commercialisation of animal health technologies.

The CEO reviews internal management reports on a monthly basis that reflect the information provided in the half year financial statements.

# Imugene Limited

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## Notes to the condensed financial statements For the half-year 31 December 2009

### 5. Events occurring after the balance sheet date

Subsequent to the end of the half year, Merial advised that while they wished to continue evaluating and developing Imugene's technology, they wanted to do so under a revised agreement that would be more flexible and better suited to their immediate development requirements for the technology. Consequently, the Strategic Alliance Agreement entered into on 31 December 2008 was terminated subsequent to 31 December 2009.

Revised terms of a new Agreement proposed by Merial subsequent to the end of the period have not met Imugene's financial and timing expectations. In January 2010, Imugene began discussions with several other international animal health companies who have expressed interest in potential licensing of the Imugene vector vaccine technology. As at the date of this report, discussions are continuing with these companies.

As at the date of this report there are no other matters or circumstances, which have arisen since 31 December 2009 that would materially affect or may significantly affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's half-year financial report.

### 6. Contingencies

The Consolidated Entity has no contingent liabilities as at balance date.