

Appendix 4E

Preliminary final report

Year ended 30 June 2006

Name of entity

IMUGENE LIMITED

ABN

99 009 179 551

Financial year ended ("current year")

30 June 2006

Comparative year ended ("prior year")

30 June 2005

Statement

This report is based on information extracted from the Annual Financial Report of Imugene Limited (Company) and the entities it controlled at the end of, or during the year ended 30 June 2006 (Consolidated Entity or Group) which is currently in the process of being audited.

Results for announcement to the market

	UP/DOWN	CHANGE \$'000	% CHANGE
Revenues from ordinary activities	UP	128	95%
Revenue for the year has increased due to sub-licence fees received in the current year as well as additional interest income on increased average cash reserves.			
Loss from ordinary activities after tax attributable to members.	UP	198	10%
Loss for the year is higher primarily due to higher commercialisation spend (primarily patent expenses).			
Net loss for the period attributable to members	UP	198	10%
No dividends have been paid during or are proposed in respect of the financial year ended 30 June 2006.			

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Appendix 4E – Contents and checklist of requirements

For the year ended 30 June 2006

1.	Reporting period and the previous corresponding period.	Refer Page 1 of this Appendix 4E
2.	Results for announcement to the market.	Refer Page 1 of this Appendix 4E
3.	Statement of financial performance with notes to the statement.	Refer Page 3 of this Appendix 4E
4.	Statement of financial position with notes to the statement.	Refer Page 5 of this Appendix 4E
5.	Statement of cash flows with notes to the statement.	Refer Page 6 of this Appendix 4E
6.	Details of individual and total dividends or distributions and dividend or distribution payments.	No dividends or other distributions have been paid during or are proposed in respect of the financial year ended 30 June 2006.
7.	Details of dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	No dividends or other distributions plans are in operation in respect of the financial year ended 30 June 2006.
8.	Statement of retained earnings.	Refer Page 7 of this Appendix 4E
9.	Net tangible assets per security.	Refer Page 7 of this Appendix 4E
10.	Details of entities over which control has been gained or lost during the period.	Effective 17 December 2005, Imugene Limited (through its wholly-owned subsidiary Brightsun Investments Pty Ltd) acquired the 62.5% equity interest in Paragen Pty Ltd not already owned for a nominal amount.
11.	Details of joint venture entities and associated entities.	The Company has no material associated or joint venture entities.
12.	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position	Refer Page 8 of this Appendix 4E
13.	Accounting standards used in compiling reports by foreign entities (e.g. International Accounting Standards).	Not applicable.
14.	A commentary on the results for the period.	Refer Page 4 of this Appendix 4E
15.	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	Refer Page 1 of this Appendix 4E. This report is based on accounts which are in the process of being audited.
16.	If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.	Not applicable.
17.	If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification	Not applicable.

Income Statement

For the year ended 30 June 2006

	Consolidated	
	2006	2005
	\$	\$
Revenue from continuing operations	263,251	135,302
Other income	103,083	254,199
Total income	<u>366,334</u>	<u>389,501</u>
Research and development	(845,017)	(872,930)
Business development	(246,515)	(296,077)
Commercialisation expenses	(1,145,962)	(953,889)
Corporate and administration costs	(568,119)	(578,347)
	<u>(2,805,613)</u>	<u>(2,701,243)</u>
Loss from ordinary activities before income tax expense	<u>(2,439,279)</u>	<u>(2,311,742)</u>
Income tax expense / benefit	252,060	322,760
Net loss	<u>(2,187,219)</u>	<u>(1,988,982)</u>
Net loss attributable to members of Company	<u>(2,187,219)</u>	<u>(1,988,982)</u>
Earnings / (loss) per share		
Basic loss per share (cents per share)	(1.7)	(1.7)
Diluted loss per share (cents per share)	(1.7)	(1.7)

The above Income Statement is an extract from the full Financial Report which is currently in the process of being audited.

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Commentary on results

For the year ended 30 June 2006

Trends in revenue from continuing operations

Current year revenues are \$127,949 higher than 2005, an increase of 95%. This increase is primarily due to the receipt of sub-licence fees as well as additional interest income on the higher average consolidated cash reserves over the year to 30 June.

Trends in other revenue

Other revenues are \$151,116 lower than 2005, a decrease of 55%. This decrease is due to successful completion during the year of a project with matched funding from a Biotechnology Innovation Fund grant.

Other Significant Features of Operating Performance

Commercialisation spend has increased by \$192,073 (20%) in comparison to last year as the Company continues to strengthen its intellectual property rights.

Balance Sheet

As at 30 June 2006

	Consolidated	
	2006	2005
	\$	\$
Current assets		
Cash and cash equivalents	2,697,244	4,346,447
Trade and other receivables	41,442	109,563
Tax assets	542,062	286,991
Other	-	-
Total current assets	<u>3,280,748</u>	<u>4,743,001</u>
Non-current assets		
Receivables	-	-
Other financial assets	-	-
Property, plant and equipment	22,228	14,597
Intangible assets	3,965,445	4,306,585
Total non-current assets	<u>3,987,673</u>	<u>4,321,182</u>
Total assets	<u>7,268,421</u>	<u>9,064,183</u>
Current liabilities		
Trade and other payables	732,603	362,630
Provisions	73,437	48,893
Other	-	-
Total liabilities	<u>806,040</u>	<u>411,523</u>
Net assets	<u>6,462,381</u>	<u>8,652,660</u>
Equity		
Contributed equity	13,180,042	13,180,042
Reserves	264,545	267,605
Accumulated losses	<u>(6,982,206)</u>	<u>(4,794,987)</u>
Total parent entity interest in equity	<u>6,462,381</u>	<u>8,652,660</u>

The above Balance Sheet is an extract from the full Financial Report which is in the process of being audited.

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Cash Flow Statement

For the year ended 30 June 2005

	Consolidated	
	2006	2005
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	66,690	-
Payments to suppliers and employees (inclusive of goods and services tax)	(2,000,489)	(2,365,106)
	(1,933,799)	(2,365,106)
Income tax repayments received	-	347,170
Other revenue	100,662	254,199
	(1,833,137)	(1,763,737)
Net cash (outflow) inflow from operating activities	(1,833,137)	(1,763,737)
Cash flows from investing activities		
Payments for property, plant and equipment	(12,628)	(2,488)
Interest received	196,562	134,729
	183,934	132,241
Net cash inflow (outflow) from investing activities	183,934	132,241
Cash flows from financing activities		
Proceeds from issues of shares	-	5,276,917
Share issue costs	-	(261,717)
	-	5,015,200
Net cash inflow from financing activities	-	5,015,200
Net increase (decrease) in cash and cash equivalents	(1,649,203)	3,383,704
Cash and cash equivalents at the beginning of the financial year	4,346,447	962,743
	2,697,244	4,346,447
Cash and cash equivalents at the end of the financial year	2,697,244	4,346,447

The above Cash Flow Statement is an extract from the full Financial Report which is in the process of being audited.

Statement of changes in equity

For the year ended 30 June 2006

	Consolidated	
	2006	2005
	\$	\$
Share Capital		
At the beginning of the year	13,180,042	8,164,842
Option conversions	-	276,917
Share placement	-	5,000,000
Costs of issue	-	(261,717)
At the end of the year	<u>13,180,042</u>	<u>13,180,042</u>
Share Based Payment Reserve		
At the beginning of the year	267,605	72,831
Employee share options	(3,060)	194,774
At the end of the year	<u>264,545</u>	<u>267,605</u>
Accumulated losses		
At the beginning of the year	(4,794,987)	(2,806,005)
Loss for the year	(2,187,219)	(1,988,982)
At the end of the year	<u>(6,982,206)</u>	<u>(4,794,987)</u>
Total Equity		
At the beginning of the year	8,652,660	5,431,668
At the end of the year	<u>6,462,381</u>	<u>8,652,660</u>

Net Tangible Assets per Security

As at 30 June 2006

	Consolidated	
	2006	2005
	¢	¢
Net tangible assets per ordinary share	1.91	3.33

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Analyses and Discussion

For the year ended 30 June 2006

Balance sheet / Cash flow statement

During the prior year, the Company successfully completed a \$5 million share placement comprising 20 million new shares at 25 cents each and 4 million new options exercisable at 50 cents on or before 31 January 2007. The funds were raised from institutional and sophisticated investors.

The capital-raising left the Group in a strong financial position and these funds have continued to be applied towards commercialising the Group's technologies.

Other Significant Information

For the year ended 30 June 2006

Explanation of transition to Australian equivalents to IFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). The Group's financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has adopted accounting policies that comply with AIFRS and has applied these policies to all financial statements for periods beginning on or after 1 January 2005. In preparing this preliminary financial report, the Group has started from an opening balance sheet as at 1 July 2004 (the date of transition to AIFRS). This note details the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

(a) Reconciliation of reported equity

(i) At 1 July 2004 (date of transition to AIFRS)

	Note	Consolidated	
		AGAAP \$	AIFRS \$
Net assets		<u>5,431,668</u>	<u>5,431,668</u>
Representing:			
Contributed equity		8,164,842	8,164,842
Share based payment reserve	(c)	-	72,831
Accumulated losses	(c)	<u>(2,733,174)</u>	<u>(2,806,005)</u>
		<u>5,431,668</u>	<u>5,431,668</u>
		Consolidated \$	
Total equity under AGAAP		5,431,668	
Increase in accumulated losses on application of AASB2	(c)	(72,831)	
Associated increase in share- based payment reserve	(c)	<u>72,831</u>	
Total equity under AIFRS		<u>5,431,668</u>	

Other Significant Information (continued)

For the year ended 30 June 2006

Explanation of transition to Australian equivalents to IFRS (continued)

(a) Reconciliation of reported equity (continued)

- (ii) At 30 June 2005 (latest period presented in the the most recent annual financial report under AGAAP)
- (iii) At 30 June 2005 (latest period presented in the the most recent annual financial report under AGAAP)

	AGAAP \$	AIFRS \$	
Net assets	<u>8,652,660</u>	<u>8,652,660</u>	
Representing:			
Contributed equity	13,180,042	13,180,042	
Share based payment reserve (c)	-	267,605	
Accumulated losses (c)	<u>(4,527,382)</u>	<u>(4,794,987)</u>	
	<u>8,652,660</u>	<u>8,652,660</u>	
			Consolidated
			\$
Total equity under AGAAP	8,652,660		
Increase in accumulated losses on application of AASB2 (c)	(267,605)		
Associated increase in share-based payment reserve (c)	<u>267,605</u>		
Total equity under AIFRS	<u>8,652,660</u>		

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Other Significant Information (continued)

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Explanation of transition to Australian equivalents to IFRS (continued)

(b) Reconciliation of reported loss for year to 30 June 2005

	Note	AGAAP	Increase in expenses on application of AASB2	AIFRS
		\$	\$	\$
Consolidated				
Total Income		389,501	-	389,501
Research and development	(c)	(810,377)	(62,553)	(872,930)
Business development	(c)	(247,500)	(48,577)	(296,077)
Commercialisation expenses	(c)	(870,245)	(83,744)	(953,989)
Corporate and administration costs		(578,347)	-	(578,347)
Other		-	-	-
Loss before income tax benefit		<u>(2,116,968)</u>	<u>(194,874)</u>	<u>(2,311,842)</u>
Income tax benefit		322,760	-	322,760
Loss after income tax benefit		<u>(1,794,208)</u>	<u>(194,874)</u>	<u>(1,989,082)</u>

(c) Equity-based payments

Under AASB 2 "Share Based Payments", the Group is required to recognise an expense for all share based remuneration, including options granted after 7 November 2002 which had not vested by 1 January 2005.

Application of this policy to the balance sheet at 30 June 2005 increases consolidated and parent entity retained losses at 30 June 2005 by \$267,605 with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense (apportioned to Research and Development, Business Development and Commercialisation Expenses on a time basis) is now \$194,774 higher, with a corresponding increase in the net movement in the share-based payment reserve.