

SHAREHOLDER UPDATE MARCH 2006

Dear Shareholder,

Imugene has today released its financial results for the half year to 31 December 2005.

Key financial information for Imugene from the financial statements as at 31 December 2005:

- Net after tax loss for the half year of \$1,051,998
- Net operating cash outflow for the half year of \$939,308, equivalent to \$156,500 'burn rate' per month
- Cash as at 31 December 2005 of \$3,407,139

Imugene anticipates that the monthly average burn rate for operating cash flows for the calendar year to 31 December 2006 will not vary materially from the past 6 months incurred to 31 December 2005.

Strategic Review of Operations

Imugene continues to significantly advance the commercialisation of its leading platform technology, the pig and poultry adenoviral vector delivery systems. In particular, the lead poultry product, the *Poultry Productivity Enhancer* is well on track for commercial release. With one product licensed and two agreements for vaccine construction, the vector delivery system is attracting international interest and validation.

In light of these developments, the Board has undertaken a strategic review of operations to maximise returns on our technologies. The main outcomes of this review are:

- Establishment of additional research capabilities at La Trobe University
- Focus on development of vector products
- Five lead products selected for commercialisation
 - Poultry Productivity Enhancer (Merial sub-license partner)
 - Poultry Coccidiosis Vaccine (Teva/Abic)

- Poultry Avian Influenza (Bird Flu) Vaccine
- PAV-Merial Pig Vaccine (Merial)
- PAV-PRRS Pig Vaccine
- Postpone further development of RMT products
- Postpone further flea vaccine research

These objectives focus both funds and effort on the products nearest to market and have the greatest potential to yield the maximum returns to shareholders on the capital invested in their research and development.

New Research Laboratory – La Trobe University

Imugene recently announced the establishment of its own laboratory within the La Trobe University, Melbourne.

The new leased laboratory will allow Imugene Chief Scientific Officer, Dr Mike Sheppard more direct input and control of the scientific program on a daily basis. This new research capacity will assist in achieving Imugene's scientific goals more quickly than relying on contract research alone.

The priority research programs being undertaken at our new laboratory are the construction of Bird Flu vaccines for Broilers and Breeders/ Layer chickens.

Poultry Productivity Enhancer (PPE)

As has been widely reported the fourth quarter of 2005 was marked by the achievement of two significant milestones. Firstly, Merial Limited, a world leading animal health company, signed a sub-license to finalise the PPE product development and ultimately sell this product worldwide. Secondly, Imugene received the positive news of two important regulatory outcomes for the PPE - the granting of a licence from the OGTR (Office of the Gene Technology Regulator) and a permit from the APVMA (Australian regulator of animal health products).

Perth Office

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

ABN: 99 009 179 551

Sydney Office

Registered Office
Level 1, 14 – 20 Delhi Road
North Ryde NSW 2113
Tel: +61 2 9870 7330
Fax: +61 2 9888 9338

www.imugene.com

These allowed the intentional release trial of the PPE outside of laboratory facilities which has now commenced.

Both these achievements reflect the advanced nature of the commercialisation program for this product. In particular, Imugene is very pleased to have finalised the commercial agreement with Merial. Merial is internationally recognised for its expertise and infrastructure in all areas of animal health products – all of which will be applied to finalise PPE product's development to maximise its worldwide sales.

To progress to commercial sales, most likely starting in Australia, Merial will complete the regulatory trials and submit the final dossier to the APVMA. Results from the current trial will also be submitted to the OGTR in a dossier for a final licence for full commercial release.

Imugene's previous efficacy trials demonstrated that chickens vaccinated with the PPE (either with or without antibiotics) were, at 42 days of age (usual market ready age), 13 percent larger than untreated birds or birds fed regular commercial feed containing antibiotics.

Recently, Channel 7 News devoted a story to the progress of Imugene's PPE and dosage studies now underway at CSIRO. This was a prominent story that aired in all States and Sky News on Friday 10 March to over 1 million viewers. In February, Imugene was also featured on a Channel 9 Investment program.

Avian Influenza Vaccine (Bird Flu)

CSIRO has been working under contract on vaccine candidates for the H5N1 strain of the Bird Flu virus. That research work is directed predominantly at creating a vaccine for the broiler (meat bird) market. The primary aim for a commercial Bird Flu vaccine for broilers is to provide immunity early in a bird's life.

As part of the new research program at LaTrobe, a new synthetically created gene is being constructed in Europe and will be used to make updated versions of the broiler vaccine.

The second Bird Flu vaccine program recently established at LaTrobe is aimed at creating a vaccine for the egg layer and breeding bird market.

Layer birds and birds used for breeding stock for the broiler market require longer lasting immunity than broiler birds, who typically reach usual market weight by 42-49 days of age. The vaccine designed for layers and breeders will use two antigens (rather than

the single antigen used in the broiler vaccine) to elicit both antibody and cell mediated immunity. The necessary genes have been selected and are being produced synthetically in Europe. Imugene expects to receive these genes by late March. The genes will then be inserted into the Fowl Adenovirus Vector to develop vaccine candidates.

Coccidiosis Vaccine for Poultry

In December 2005, Imugene agreed with Abic Biological Laboratories Teva Ltd., the animal health division of Israeli-based Teva Pharmaceutical Industries Ltd., to develop and evaluate a new vaccine for the poultry coccidiosis prevention market.

Imugene has now received the initial patented coccidia gene supplied and owned by Abic. These are now in the process of being inserted into Imugene's patented Adenoviral Vector Delivery System to produce a range of vaccine candidates.

These vaccine candidates are anticipated to be supplied to Abic early in the third quarter of calendar 2006 for trialing by Abic at the University of Technology Sydney.

PAV-Merial Vaccine (pig viral disease)

The vaccine constructs for the PAV-Merial vaccine are to be shipped to France for further evaluation. Merial will test the construct for certain attributes prior to progressing to animal trials. The timing of the animal trials is dependent on the availability of trial facilities. The vaccine cannot be adequately tested here in Australia for quarantine reasons as the disease does not occur in Australia.

If successful in animal trials, Imugene would benefit through licensing the PAV delivery vector for global sales of this vaccine.

PAV-PRRS Vaccine (porcine respiratory & respiratory syndrome)

The PAV-PRRS vaccine is ready for testing in pigs. As with the PAV-Merial vaccine, the PAV-PRRS vaccine cannot be adequately tested in Australia for quarantine reasons as the disease does not occur in Australia. Imugene is in discussions with several companies to progress these trials in the US. Granting of the PAV patent in the US is a key factor in the progression of this product. Imugene is unwilling to sign long term agreements until the PAV patent is granted, as the value of the product will significantly increase with the patent granted.

Intellectual Property – Patent update

Since the release of the 2005 Annual Report, the Company's patent position remains unchanged. There have been several advancements in countries where the Adenoviral Vector patent applications remain pending. The two major developments are:

Fowl Adenoviral Vector (FAV) Patent application – Europe

Europe is the remaining FAV patent yet to be granted. Based on discussions held with the European Patent Office over the past 12 months we anticipate the granting of this patent in the first half of 2006.

Porcine Adenoviral Vector (PAV) Patent application – US

The PAV patent application in the US is currently undergoing a process known as 'Interference'. This proceeding is declared by the US Patent Office when there is simultaneous application for two or more patents by separate inventive entities directed to the same subject matter. In that proceeding, the US PAV patent application is in an interference with an issued patent that was filed by another party in the US subsequent to CSIRO's (Imugene's) patent application filing date. The interference proceeding only affects the US PAV patent application.

Imugene has been granted 'senior party' status in the proceeding as our Australian patent application was the earlier patent application filed. The process will determine which party will be granted the exclusive rights in the US to the subject matter of the interference.

It is not unusual for some or all of the claims within patent applications or granted patents to be involved in an interference proceeding because the US is a "first-to-invent" rather than a "first-to-file" country. Imugene remains confident that the CSIRO claims will be the subject of an exclusive patent award in the US.

Other Research & Development Technologies

Receptor Mimic Technology (RMT)

As previously reported Imugene has undertaken a review of the RMT in light of the results from the three trials undertaken. While effective in a laboratory setting, the Imugene field trials identified further research required before the RMT can be commercially launched. The principal areas requiring

further research relate to the delivery system and dosage rates.

Until the original inventor group at the University of Adelaide can solve the identified scientific issues relating to the RMT, Imugene will not be actively pursuing its development plans with RMT.

As part of review of our portfolio and the reprioritisation, Imugene has no research or development programs planned for the RMT in 2006.

Flea Vaccine research

Imugene continues to evaluate research approaches and techniques that could be employed to screen for potential flea vaccine candidates. This work is of low priority relative to our advanced adenoviral products.

Our initial flea research was undertaken with Murdoch University. Imugene has acquired, for a nominal amount, the remaining equity interest in the special purpose company, Paragen Pty Ltd, established to undertake the research at Murdoch.

Staff Changes

Dr Paul MacLeman, Chief Operating Officer has left the company to take up another position. The Board of Directors thanks Paul for his valuable contributions during his time with Imugene and wishes him well in his new endeavors.

Conclusion

Imugene has recently achieved several major milestones in the commercial development of its advanced animal health products.

Two very significant commercial agreements were signed with major global companies (Merial and Abic/Teva) – both for technologies based on the patented Adenoviral Delivery Technology.

Principal regulatory approvals have also recently been received for our most advanced product, the Poultry Productivity Enhancer; progressing its development as Merial initiates the final developmental phase for its commercialisation.

The achievement of these milestones validates Imugene's leading vector technology and demonstrates the Company's ability to secure and execute commercially attractive deals with major global players.

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. 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

For more information:

Dr Warwick Lamb
Managing Director
+61 2 9870 7330

Mr Graham Dowland
Executive Chairman
+61 8 9440 2660

Mr Rudi Michelson
Monsoon Communications
+61 3 9620 3333

Perth Office

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

ABN: 99 009 179 551

Sydney Office

Registered Office
Level 1, 14 – 20 Delhi Road
North Ryde NSW 2113
Tel: +61 2 9870 7330
Fax: +61 2 9888 9338

www.imugene.com



ABN 99 009 179 551

Appendix 4D – 31 December 2005 Half-Year Report

1. Reporting Period

The current reporting period is the period ended 31 December 2005 and the previous corresponding period is for the period ended 31 December 2004.

2. Results for Announcement to the Market.

	31 December 2005	31 December 2004	% Change
	\$	\$	
2.1 Revenue from ordinary activities.	226,922	100,969	125% Increase
2.2 Profit (loss) from ordinary activities after tax attributable to members.	(1,051,998)	(1,200,660)	12% Decrease
2.3 Net profit (loss) for the period attributable to members.	(1,051,998)	(1,200,660)	12% 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 2005.		

3. Net Tangible Assets Per Security

	31 December 2005	31 December 2004
	Cents	Cents
Net tangible assets per security	2.7	2.6

4. Gain or Loss of Control Over Entities

4.1 Name of the entity	Paragen Pty Ltd
4.2 The date of the gain or loss of control.	21 December 2005

	31 December 2005	31 December 2004
	\$	\$
4.3 Contribution of entities profit or loss from ordinary activities	Nil	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.



ABN 99 009 179 551

FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2005

Imugene Limited

	Page
CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
AUDITORS' INDEPENDENCE DECLARATION	5
INDEPENDENT REVIEW REPORT	6
DIRECTORS' DECLARATION	8
CONSOLIDATED INCOME STATEMENT	9
CONSOLIDATED BALANCE SHEET	10
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE	11
CONSOLIDATED CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13

Imugene Limited

Corporate Directory

DIRECTORS

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

CHIEF OPERATING OFFICER

Dr Paul MacLeman (resigned 31 January 2006)

CHIEF SCIENTIFIC OFFICER

Dr Michael Sheppard

COMPANY SECRETARY

Mr Alex Neuling

REGISTERED AND PRINCIPAL OFFICE

Level 1
14 – 20 Delhi Road
North Ryde NSW 2113
Australia
Telephone: (61 2) 9870 7330
Facsimile: (61 2) 9888 9338

PERTH OFFICE

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

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Australia
Telephone: 1300 557 010
Facsimile: (61 8) 9323 2033

SOLICITORS

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000
Australia

AUDITOR

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia

BANKERS

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

STOCK EXCHANGE LISTING

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

Imugene Limited

Directors' Report

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 2005 ("Consolidated Entity" or "Group").

DIRECTORS

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

Mr Graham Dowland
Dr Warwick Lamb
Mr Roger Steinepreis

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

OPERATING RESULTS

The Company recorded a net after tax loss of \$1,051,998 (2004: net loss of \$1,262,080) for the half-year ended 31 December 2005.

A review of the Company's operations during the half-year ended 31 December 2005 is disclosed in the announcement to shareholders that is attached to this half yearly report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 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

GRAHAM DOWLAND

Executive Chairman
Perth, Western Australia
16 March 2006

The Board of Directors
Imugene Limited
Level 20
77 St Georges Terrace
PERTH WA 6000

16 March 2006

Dear Board Members

Imugene Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Imugene Limited.

As lead audit partner for the review of the financial statements of Imugene Limited for the half-year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



AT Richards
Partner
Chartered Accountants

Independent review report to the members of Imugene Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, selected explanatory notes and the directors' declaration for the consolidated entity for the half-year ended 31 December 2005 as set out on pages 8 to 22. The consolidated entity comprises both Imugene Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001 and Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Deloitte.

Statement

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 2005 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" and the Corporations Regulations 2001.



DELOITTE TOUCHE TOHMATSU



AT Richards

Partner

Chartered Accountants

Perth, 16 March 2006

Imugene Limited

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

GRAHAM DOWLAND

Executive Chairman

Perth, Western Australia

16 March 2006

Imugene Limited

Consolidated income statement

For the half-year ended 31 December 2005

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2005 \$	HALF-YEAR ENDED 31 DECEMBER 2004 \$
LICENSE AND GRANT INCOME	119,238	84,341
INTEREST INCOME	107,684	16,628
RESEARCH & DEVELOPMENT EXPENSES	(397,564)	(572,068)
BUSINESS DEVELOPMENT EXPENSES	(95,290)	(257,549)
COMMERCIALISATION EXPENSES	(486,215)	(384,405)
CORPORATE AND ADMINISTRATIVE EXPENSES	(299,851)	(149,027)
LOSS BEFORE INCOME TAX EXPENSES	(1,051,998)	(1,262,080)
INCOME TAX EXPENSE	-	-
LOSS FROM CONTINUING OPERATIONS	(1,051,998)	(1,262,080)
LOSS ATTRIBUTABLE TO MEMBERS OF IMUGENE LIMITED	(1,051,998)	(1,262,080)
LOSS PER SHARE:		
Basic (cents per share)	(0.8)	(1.1)
Diluted (cents per share)	(0.8)	(1.1)

Notes to the financial statements are included on pages 13 to 22.

Imugene Limited

Consolidated balance sheet as at 31 December 2005

	CONSOLIDATED	
	31 DECEMBER 2005	30 JUNE 2005
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,407,139	4,346,447
Trade and other receivables	69,283	-
Current tax assets	286,991	286,991
Other	122,731	109,563
TOTAL CURRENT ASSETS	3,886,144	4,743,001
NON-CURRENT ASSETS		
Property, plant and equipment	12,340	14,597
Intangible assets	4,136,015	4,306,585
TOTAL NON-CURRENT ASSETS	4,148,355	4,321,182
TOTAL ASSETS	8,034,499	9,064,183
CURRENT LIABILITIES		
Trade and other payables	353,010	362,630
Provisions	83,887	48,893
TOTAL CURRENT LIABILITIES	436,897	411,523
TOTAL LIABILITIES	436,897	411,523
NET ASSETS	7,597,602	8,652,660
EQUITY		
Issued capital	13,180,042	13,180,042
Share based payment reserve	264,545	267,605
Accumulated Losses	(5,846,985)	(4,794,987)
TOTAL PARENT ENTITY INTEREST IN EQUITY	7,597,602	8,652,660
TOTAL EQUITY	7,597,602	8,652,660

Notes to the financial statements are included on pages 13 to 22.

Imugene Limited

Consolidated statement of recognised income and expense For the half-year ended 31 December 2005

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2005	HALF-YEAR ENDED 31 DECEMBER 2004
	\$	\$
LOSS FOR THE PERIOD	(1,051,998)	(1,262,080)
TOTAL RECOGNISED INCOME AND EXPENSES FOR THE PERIOD	(1,051,998)	(1,262,080)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(1,051,998)	(1,262,080)

Notes to the financial statements are included on pages 13 to 22.

Imugene Limited

Consolidated cash flow statement

For the half-year ended 31 December 2005

	CONSOLIDATED HALF-YEAR	
	HALF-YEAR ENDED 31 DECEMBER 2005 \$	HALF-YEAR ENDED 31 DECEMBER 2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants received	59,623	84,341
Payments to suppliers and employees	(1,106,615)	(935,702)
NET CASH USED IN OPERATING ACTIVITIES	(1,046,992)	(851,361)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	107,684	16,628
NET CASH FROM INVESTING ACTIVITIES	107,684	16,628
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of equity securities	-	3,645,667
Payment for share issue costs	-	(175,404)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	3,470,263
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(939,308)	2,635,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE HALF-YEAR	4,346,447	962,743
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,407,139	3,598,273

Notes to the financial statements are included on pages 13 to 22.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE HALF YEARLY FINANCIAL REPORT

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS"). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 8.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 8), the consolidated entity's date of transition.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and these benefits can be measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(c) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Certain shares and convertible notes held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

(f) Good and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(i).

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(h) Government grants

Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable. Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

(i) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Imugene Limited is the head entity in the tax-consolidated group.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Imugene Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

(k) Intangible assets

Patents, trademarks and licenses

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their expected useful lives of 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where a more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(o) Property, plant and equipment

Plant and equipment and fixtures & fittings are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Fixtures and fittings	5 years
Plant and equipment	5 - 15 years

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(q) Revenue recognition

Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

2. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No event has occurred since 31 December 2005 that would materially 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.

3. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2005 (2004: None).

4. SEGMENT INFORMATION

The Consolidated Entity operates in one geographical and business segment, being the research, development and commercialisation of animal health technologies in Australia.

5. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

Effective 21 December 2005, Imugene Limited, via its wholly-owned subsidiary Brightsun Pty Ltd, increased its shareholding in Paragen Pty Ltd from 37.5% to 100%. The financial effect of this business combination on the Consolidated Entity was not material.

No changes on the composition of the Consolidated Entity took place in the half-year to 31 December 2004.

6. ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES

No shares have been issued, repurchased or repaid during the half-year to 31 December 2005. In the prior half-year, the Company issued 13,475,000 fully paid ordinary shares and 2,695,000 free attaching options (on a 1 for 5 basis) as the first tranche of a \$5,000,00 share and option placement approved by shareholders at a general meeting held on 11 January 2005.

7. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY

	HALF-YEAR ENDED 31 DECEMBER 2005 \$	HALF-YEAR ENDED 31 DECEMBER 2004 \$
SHARE CAPITAL		
AT THE BEGINNING OF THE HALF-YEAR	13,180,042	8,164,842
OPTION CONVERSIONS (i)	-	276,917
SHARE PLACEMENT (ii)	-	3,368,750
COSTS OF ISSUE (ii)	-	(175,404)
AT THE END OF THE HALF-YEAR	13,180,042	11,635,105
SHARE BASED PAYMENT RESERVE		
AT THE BEGINNING OF THE HALF-YEAR	267,605	72,831
EMPLOYEE SHARE OPTIONS (iii)	(3,060)	61,420
AT THE END OF THE HALF-YEAR	264,545	134,251
ACCUMULATED LOSSES		
AT THE BEGINNING OF THE HALF-YEAR	(4,794,987)	(2,806,005)
LOSS FOR THE HALF-YEAR	(1,051,998)	(1,262,080)
AT THE END OF THE HALF-YEAR	(5,846,985)	(4,068,085)
TOTAL EQUITY		
AT THE BEGINNING OF THE HALF-YEAR	8,652,660	5,431,668
AT THE END OF THE HALF-YEAR	7,597,602	7,701,271

(i) Exercise of unlisted options at \$0.1125 per option

(ii) On 3 December 2004 the Company issued 13,475,000 shares and 2,695,000 free attaching options (on a 1 for 5 basis) as the first tranche of a \$5,000,000 share and option placement announced to shareholders on 23 November 2004.

(iii) Represents the net income recognised during the half-year in respect of employee share options expensed on a pro-rata basis in previous periods for which vesting conditions were subsequently not satisfied, offset by the expense of employee share options deemed to have vested during the period.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

8. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

An explanation of how the transition from superseded policies to A-IFRS has affected the Consolidated Entity's financial position, financial performance and cash flows is set out in the following tables and accompanying notes.

EFFECT OF A-IFRS ON THE BALANCE SHEET AS AT THE DATE OF TRANSITION: 1 JULY 2004

NOTE	1 JULY 2004		
	SUPERSEDED POLICIES*	EFFECT OF TRANSITION TO A-IFRS \$	A-IFRS \$
	\$		\$
CURRENT ASSETS			
Cash and cash equivalents	962,743	-	962,743
Current tax assets	311,401	-	311,401
Other	75,450	-	75,450
TOTAL CURRENT ASSETS	1,349,594	-	1,349,594
NON- CURRENT ASSETS			
Property, plant and equipment	18,643	-	18,643
Intangible assets (a)	4,647,725	-	4,647,725
TOTAL NON-CURRENT ASSETS	4,666,368	-	4,666,368
TOTAL ASSETS	6,015,962	-	6,015,962
CURRENT LIABILITIES			
Trade & other Payables	551,608	-	551,608
Provisions	32,686	-	32,686
TOTAL CURRENT LIABILITIES	584,294	-	584,294
TOTAL LIABILITIES	744,462	-	744,462
NET ASSETS	5,431,668	-	5,431,668
EQUITY			
Issued Capital	8,164,842	-	8,164,842
Share-based payment reserve (b)	-	72,831	72,831
Accumulated losses (c)	(2,733,174)	(72,831)	(2,806,005)
TOTAL PARENT ENTITY INTEREST IN EQUITY	5,431,668	-	5,431,668

EFFECT OF A-IFRS ON THE CASH FLOW STATEMENT FOR THE HALF-YEAR TO 31 DECEMBER AND FINANCIAL YEAR TO 30 JUNE 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

8. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

EFFECT OF A-IFRS ON THE BALANCE SHEET AS AT:

THE END OF THE LAST HALF-YEAR REPORTING PERIOD UNDER SUPERSEDED POLICIES (31 DECEMBER 2004); AND,
THE END OF THE LAST FULL-YEAR REPORTING PERIOD UNDER SUPERSEDED POLICIES (30 JUNE 2005)

NOTE	31 DECEMBER 2004			30 JUNE 2005		
	SUPERSEDED POLICIES* \$	EFFECT OF TRANSITION TO A-IFRS \$	A-IFRS \$	SUPERSEDED POLICIES* \$	EFFECT OF TRANSITION TO A-IFRS \$	A-IFRS \$
CURRENT ASSETS						
	3,598,273	-	3,598,273	4,346,447	-	4,346,447
	311,401	-	311,401	286,991	-	286,991
	27,618	-	27,618	109,563	-	109,563
TOTAL CURRENT ASSETS	3,937,292	-	3,937,292	4,743,001	-	4,743,001
NON-CURRENT ASSETS						
	15,641	-	15,641	14,597	-	14,597
(a)	4,492,800	-	4,492,800	4,306,585	-	4,306,585
TOTAL NON-CURRENT ASSETS	4,508,441	-	4,508,441	4,321,182	-	4,321,182
TOTAL ASSETS	8,445,733	-	8,445,733	9,064,183	-	9,064,183
CURRENT LIABILITIES						
	698,213	-	698,213	362,630	-	362,630
	46,249	-	46,249	48,893	-	48,893
TOTAL CURRENT LIABILITIES	744,462	-	744,462	411,523	-	411,523
TOTAL LIABILITIES	744,462	-	744,462	411,523	-	411,523
NET ASSETS	7,701,271	-	7,701,271	8,652,660	-	8,652,660
EQUITY						
	11,635,105	-	11,635,105	13,180,042	-	13,180,042
(b)	-	134,251	134,251	-	267,605	267,605
(c)	(3,933,834)	(134,251)	(4,068,085)	(4,527,382)	(267,605)	(4,794,987)
TOTAL PARENT ENTITY INTEREST IN EQUITY	7,701,271	-	7,701,271	8,652,660	-	8,652,660

Imugene Limited

Notes to the financial statements For the half-year 31 December 2005

8. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

EFFECT OF A-IFRS ON THE INCOME STATEMENT FOR:
THE HALF-YEAR ENDED 31 DECEMBER 2004; AND,
THE FINANCIAL YEAR ENDED 30 JUNE 2005

NOTE	HALF-YEAR ENDED 31 DECEMBER 2004			FINANCIAL YEAR ENDED 30 JUNE 2005		
	SUPERSEDED POLICIES*	EFFECT OF TRANSITION TO A-IFRS	A-IFRS	SUPERSEDED POLICIES*	EFFECT OF TRANSITION TO A-IFRS	A-IFRS
	\$	\$	\$	\$	\$	\$
Licence & Grant income	84,341	-	84,341	254,199	-	254,199
Interest income	16,628	-	16,628	135,302	-	135,302
Research and development expenses (b)	(552,618)	(19,450)	(572,068)	(810,377)	(62,553)	(872,930)
Business development expenses (b)	(239,123)	(18,426)	(257,549)	(247,500)	(48,577)	(296,077)
Commercialisation expenses (b)	(360,861)	(23,544)	(384,405)	(870,245)	(83,644)	(953,889)
Corporate and administrative expenses	(149,027)	-	(149,027)	(578,347)	-	(578,347)
LOSS BEFORE INCOME TAX EXPENSE (b)	(1,200,660)	(61,420)	(1,262,080)	(2,116,968)	(194,774)	(2,311,742)
Income tax expense	-	-	-	322,760	-	322,760
LOSS FROM CONTINUING OPERATIONS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY (c)	(1,200,660)	(61,420)	(1,262,080)	(1,794,208)	(194,774)	(1,988,982)

* Reported financial results under previous GAAP.

NOTES TO THE RECONCILIATIONS OF INCOME AND EQUITY

(a) Intangible assets

The Consolidated Entity has elected to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly separately identifiable intellectual property with a value of \$4,306,585 as at 30 June 2005 (previously classified as goodwill) has been reclassified. No other adjustments were required as a result of fully restating the business combination in terms of the requirements of applicable accounting standards.

(b) Share-based payments

For the financial year ended 30 June 2005, share-based payments of \$194,774 (included in 'Research and development', 'Commercialisation' and 'Business Development' expenses) which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the share based payments reserve. The effect of these payments for the half-year to 31 December 2004 was \$61,420.

An amount of \$72,831, not recognised under the superseded policies, was recognised in the share-based payments reserve on the date of transition under A-IFRS. The amount relates to share options granted on 27 November 2003 which were not yet deemed to have vested as of 1 January 2005.

(c) Accumulated Losses

The effect of the above adjustments on accumulated losses is as follows:

NOTES	CONSOLIDATED		
	1 JUL 2004	31 DEC 2004	30 JUNE 2005
	\$	\$	\$
Expensing share-based payments (b)	(72,831)	(134,251)	(267,605)
Total adjustment to accumulated losses attributable to members of the parent entity	(72,831)	(134,251)	(267,605)