



ASX ANNOUNCEMENT

ANNUAL REPORT

25 October 2005, Sydney: Imugene (ASX: IMU) is pleased to present its 2005 Annual report.

The report will be available on the Company's website and will be mailed today to shareholders together with the Notice of Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on Thursday 24 November 2005, 10 am at Level 20, Allendale Square, 77 St Georges Terrace, Perth, Western Australia.

Investor Presentations

Investor Presentations are scheduled as follows:

Sydney

Tuesday 8 November 2005 at 10.30 am at the 'Intercontinental Hotel' Level 9, Corner Bridge & Phillip Streets, Sydney.

Melbourne

Thursday 10 November 2005 at 11 am at 'Morgans at 401' Level 2, 411 Collins Street, Melbourne

END

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Biological methods for animal health and disease control



Imugene Limited Annual Report 2005

IMUGENE

LIMITED

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Imugene's Poultry Productivity Enhancer significantly improves both weight gain and feed conversion ratios regardless of the use of in-feed antibiotics.

Corporate Directory

DIRECTORS

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

COMPANY SECRETARY

Mr Alex Neuling

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STOCK EXCHANGE LISTING

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

2005 Highlights

- Imugene grants Merial (Owned by Merck & sanofi-aventis) an exclusive sublicense to produce and market the Poultry Productivity Enhancer globally; Imugene to receive milestone fees and royalties
- November 2004 trials of the Poultry Productivity Enhancer, using an improved construct, produces the best results yet; 15% improvement in weight gain and 11% improvement in food conversion compared to best industry standard
- Submission of dossier to the Office of Gene Technology Regulator for approval to undertake commercial field trials of the Poultry Productivity Enhancer in Australia
- Continued research and development for a viable and effective vaccine to prevent Bird Flu (H5N1 Avian Influenza)
- Imugene awarded an Australian BIF grant of \$250,000 to develop its Bird Flu Vaccine
- New product constructs completed across the entire pig and poultry vaccine range
- Equity raising of \$5 million by placement of 20 million shares at 25 cents each

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Imugene Limited is an Australian based internationally focused biopharmaceutical development company specialising in novel biological animal health products for production animals and companion animals (pets).

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 food residues and people.

Imugene owns the worldwide rights to the Fowl Adenoviral Vector Delivery System for poultry (delivering the effective Poultry Productivity Enhancer) and the Porcine Adenoviral Vector Delivery System for pigs.

Imugene's poultry and pig portfolio is targeting a worldwide US\$3 billion annual market.



Executives' Report

Several major milestones were achieved in the past year. Our progress continues to increase the value of Imugene's advanced product range under commercialisation.



Dear Shareholders

Recently Imugene announced the agreement to sub-license our first poultry product, the *Poultry Productivity Enhancer*, to Merial. Merial will now takeover the future funding and development of this product, obtain the regulatory approvals and sell to poultry producers world-wide. Merial, equally owned by Merck and sanofi-aventis, is a world leader in animal health products.

Merial has an impressive track record in marketing new animal health vaccines. Through Imugene's partnership with Merial, the *Poultry Productivity Enhancer* will have the best possible path to world markets. Merial has experienced and well resourced product development teams, and comprehensive sales, marketing and distribution infrastructure around the globe. The experience and depth of these resources are now being applied to commercialising our lead product. The execution of this sub-license marks a major advancement for Imugene's commercialisation strategy for this product.

Imugene's major November 2004 trial of the *Poultry Productivity Enhancer* demonstrated exceptional results in the key criteria of weight gain and feed conversion. These included double digit percentage improvements in both categories compared to the current global poultry industry benchmark 'best standard' results.

There are other compelling commercial advantages of both the *Poultry Productivity Enhancer* and Imugene's Adenoviral Vector Delivery platform technology. These include reduction or elimination of chemicals and antibiotics that are routinely used for poultry growth promotion. The use of antibiotics as growth promotants in animal feed has been banned in Europe from January 2006. Other markets, including the US

are also expected to begin to phase out the use of 'in-feed' antibiotics. Importantly, our trials have demonstrated that the *Poultry Productivity Enhancer's* commercial benefits exist with or without the use of antibiotics.

The past year has been very active in advancing regulatory approvals. The *Poultry Productivity Enhancer* has progressed to the final stage of the Office of Gene Technology Regulators (OGTR) assessment. In completing our submission to the OGTR, several additional trials have been undertaken and complete data packages have been compiled and recently forwarded to assist the OGTR review. We anticipate the OGTR will finalise this review within the next 3 months.

Commercial field trials will be undertaken with Merial in Australia. The results will be used in regulatory submissions seeking approval to commence product sales and in marketing the vaccine's efficacy to poultry producers.

In addition to the regulatory work completed, various vaccine optimisation activities have and continue to be undertaken. Now being controlled by Merial, these refinements are required to optimise the 'end product' vaccine that will ultimately be sold to poultry producers.

Our other principal 'adenoviral vector' products in the pig and poultry range have advanced and are all now either in trials or awaiting trials. Two of our pig vaccines aim to prevent two widespread and devastating diseases that occur in most regions of the world, but not in Australia. Commercial trials of these vaccines must occur outside Australia.

The commercialisation strategy remains consistent for these two pig vaccines. They are both under review by major, multi-national animal health companies for potential sub-licensing from Imugene.

The development of an effective preventative Avian Influenza (Bird Flu) vaccine for poultry remains a high priority for Imugene. The Bird Flu virus has resulted in the infection of over 100 people of which more than half have died. In addition the disease has caused the slaughter of over 100 million chickens in Asia. The World Health Organisation continues to provide catastrophic warnings of the likelihood and level of human mortality of an epidemic.

Our Bird Flu development and trial work has continued throughout the year. Current trials are underway to determine the required dosage to stimulate the most effective antibody response. We anticipate these trials continuing into the first quarter of 2006.

Recognising the importance of this development activity, the Commonwealth Government awarded Imugene a \$250,000 BIF grant to assist our Bird Flu vaccine research and development.

The newest extension to our range of products was in-licensed from the University of Adelaide in late 2004. The Receptor Mimic Technology (RMT) underwent a series of tests and trials to evaluate commercial efficacy prior to the technology moving from the research laboratory to development.

The RMT treatments aim to prevent and treat many of the gastrointestinal bacterial and viral diseases that afflict intensively farmed animals, particularly pigs. Initial results have determined that further development of this platform technology is required to increase its commerciality for use in piggeries. Whilst laboratory tests have proved high levels of efficacy of the RMT, certain commercial operating parameters have yet to be achieved. Solutions to these commercial issues are being considered, and must be resolved prior to the initial pig application entering the product development phase.



Following the November 2004 share placement, Imugene continues to operate within a sound financial position. The consistent application of our financial discipline has enabled the company to minimise the dilutive effect of multiple capital raisings. The cash resources available are sufficient to achieve significant value increases for our advanced product range. Strategic licensing of products at the appropriate stage of commercialisation will achieve our aim of continuing to maximise shareholder value.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Graham Dowland'.

Mr Graham Dowland
Executive Chairman

A handwritten signature in black ink, appearing to read 'Warwick Lamb'.

Dr Warwick Lamb
Managing Director

Report on products under development

POULTRY PRODUCTIVITY ENHANCER

Our most advanced product, the *Poultry Productivity Enhancer*, has passed through several major milestones in its progress toward global commercialisation:

1. Commercial – finalisation of the Imugene sub-license granting Merial exclusive global rights to sell and distribute the Poultry Productivity Enhancer in return for a series of milestone licensing fees and royalty income on product sales.
2. Regulatory – Finalisation of regulatory dossier for the initial Australian regulator – the ‘OGTR’.
3. Product Optimisation – the final stages of product development, being dose, timing, best method of manufacture and safety data, were all advanced and are being handed over to the Merial product development team.

Trial Results

The principal efficacy trial undertaken demonstrated increased poultry growth of 13.7% and an 11.7% improvement in the Feed Conversion Ratio when compared to untreated birds. These weight gains exceed global industry best practice (The Ross Index) by up to 15.8%.

These results confirm that Imugene’s Poultry Productivity Enhancer improves both weight gain and feed conversion ratios regardless of the use of in-feed antibiotics. Unlike other products being developed as replacements for antibiotics, the Poultry Productivity Enhancer can therefore be sold in global markets with or without in-feed antibiotics.

Summary of results – Double Blinded 900 bird trial

Trial Group	FCR	FCR Improvement	Mean Weight	Weight Improvement (Control)	Weight Improvement (Ross Index)
Imugene Poultry Productivity Enhancer with antibiotics in feed	1.558	11.73%	2627g	13.75%	15.6%
Imugene Poultry Productivity Enhancer with antibiotic-free feed	1.608	8.90%	2601g	12.64%	14.5%
Control (antibiotics in feed only)	1.716	2.78%	2309g	NA	1.6%
Industry best (Ross Index)	1.765	NA	2272g	NA	NA

Index

FCR means Food Conversion Ratio. The ratio is calculated from the amount of food required to produce 1kg weight gain. The less feed required to produce 1kg of chicken meat the more efficient and profitable the production system.

FCR Improvement means the improvement in the FCR compared with the Ross Index, expressed as a percentage.

Mean Weight means the average weight per bird in each group of 50 birds and expressed in grams.

Weight Improvement (Control) means the percentage weight improvement compared with the Control Group (no Poultry Productivity Enhancer, with antibiotics in feed).

Weight Improvement (Ross Index) means the percentage weight improvement compared with the industry best practice Ross Index (with antibiotics in feed).

The scientific improvements delivering these results relate to use of a more potent ‘promoter gene’ and very clearly demonstrates the value of the development stage that Imugene has undertaken with this product.

Imugene has conducted nine further product studies during the year. These have been to optimise commercialisation including dose and timing and further demonstrate safety for birds and the environment.

Grant of Sub-License to Merial Limited

Imugene has granted the international animal health company, Merial, the exclusive rights to finalise the development and globally market the Poultry Productivity Enhancer.

Merial is one of the world's largest animal health companies and is owned in joint venture between Merck & Co. and sanofi-aventis. Merial employs about 5000 people in over 150 countries and its sales in 2004 exceeded US\$1.8 billion

Apart from being a recognised leader in poultry disease management, particularly in commercialising recombinant viral vaccines, Merial has demonstrated the ability in quickly establishing dominant market share positions for new vaccines.

Maximising the Poultry Productivity Enhancer's entry to the major poultry markets world-wide are the key advantages of the sub-licensing arrangements with Merial. The allocation of top tier product development, sales, marketing and distribution resources from within Merial will accelerate this vaccines path to market and, importantly, financial returns to Imugene.

While the details of the license agreement are confidential, Imugene will earn sign up fees, followed by milestone payments throughout the product development process and royalty payments on product sales. The agreement includes agreed minimum performance requirements and timelines. The license grants Merial the right to use the Fowl Adenovirus Delivery Vector for this product only, and Imugene retains the rights to further develop a range of products from this platform technology.

Imugene will continue to assist Merial with aspects of product development primarily in Australia relating to the OGTR and the commercial field trials.

The Global Poultry Industry & The Poultry Productivity Enhancer's Market Potential

On a global scale the annual production of broiler meat is 50.5 million metric tonnes derived from approximately 40 billion birds. The commercial broiler industry involves the rearing of massive numbers of birds in purpose built facilities. In the US and Europe the industry has become highly consolidated and vertically integrated. As a result, producers have become extremely efficient.

The intensive confined rearing of tens of thousands of birds in large sheds presents major health management challenges for producers. Profit margins are highly dependant on production efficiency. This efficiency is in turn dependent on the number of birds surviving to marketable age, the corresponding rate of weight gain, feed conversion ratios and cost of treatments to prevent or reduce disease or to promote healthy growth.

In addition to animal welfare issues, illness or death have a serious negative impact on profitability. In these intensive production industries, animal health treatments are assessed primarily on cost-benefit.

Improvements in productivity are measured in fractions of cents and percentages. Producers assess the cost of treatments against the value of the improved output and productivity achieved. By comparison, the improvements delivered by Imugene's Poultry Productivity Enhancer vaccine are double-digit benefits.

Diseases in the poultry flock can devastate commercial outcomes. In general, the incidence and severity of disease is increased with higher stocking density, dietary changes, ventilation and stress such as high or low shed temperatures. Profitability margins are reduced by disease due to reduced growth, reduced feed conversion, costs of drugs and labour costs of treatment.

Antibiotics are currently added to poultry feed as growth promotants to protect birds against bacterial infections. Until the development of Imugene's vaccine, there are very few alternatives to antibiotics as a preventative treatment for bacterial disease. Consequently, antibiotics have and continue to be routinely added to feed for poultry production to protect birds against infections and avoid production losses.

Consumers and regulators are demanding chickens free of antibiotic or chemical residues. Imugene's product is biological and therefore non-chemical, non antibiotic and residue free.

An initiative announced by the European Union in March 2002 calls for banning all remaining antibiotics used as growth promotants commencing in January 2006. This regulatory ban combined with public pressure for chickens free of drugs and chemicals has increased the demand for alternatives that provide disease prevention, healthy and safe growth promotion and improved feed efficiencies. This provides a highly receptive market for Imugene.

Imugene's products are biological treatments and therefore production costs are significantly cheaper than chemical or antibiotic growth promotants. The Poultry Productivity Enhancer is suitable for mass administration in water, feed, injected into eggs, or by aerosol spray.

Report on products under development

Regulatory progress

Office of the Gene Technology Regulator (OGTR)

Imugene's application for the 'Intentional Release License' from the Australian governments OGTR was a key regulatory activity over the past year. This license is necessary before undertaking the large field and commercial setting trials of the Poultry Productivity Enhancer. In response to OGTR requests, Imugene undertook a series of safety related trials culminating in the recent submission of the final technical dossier to the OGTR. This resulted in a re-commencement of the data assessment process, including a company-hosted inspection by OGTR to the field trial site.

Australian Pesticides and Veterinary Medicines Authority (APVMA)

The APVMA regulates the approval process for all veterinary products sold in Australia. The APVMA has confirmed that Imugene's Poultry Productivity Enhancer will be accepted for registration evaluation following completion of the few remaining regulatory studies and submission of the required APVMA registration dossier. Traditional registration times for vaccines within Australia are less than 1 year following dossier submission.

Environmental Risk Management Authority (ERMA)

ERMA is the New Zealand government's regulator similar to the OGTR. Imugene has been granted approval by ERMA to prepare and submit an Intentional Release application dossier under its review procedures. If successful, the Poultry Productivity Enhancer may receive Intentional Release approval within the first half of calendar 2006.

This release authorises commercial field trials in New Zealand in preparation for a marketing approval application to the New Zealand Authority for the Control of Veterinary Medicines (ACVM). The ACVM is the authority in New Zealand that controls the registration and marketing approval of veterinary medicines and biologicals. The ACVM is also involved in the Intentional Release approvals process which ultimately reduces the product registration time.

Background to the Poultry Productivity Enhancer Vaccine

Imugene's patented vaccine boosts a natural component of the immune system, a cytokine known as gamma interferon. This boost to the immune system increases resistance to a range of bacterial as well as viral infections. Improved disease protection is provided for both gastrointestinal and respiratory diseases. Preventing these diseases improves growth rates, reduces mortality and reduces the costs of production (the major cost being feed).

Trials have demonstrated significant productivity improvement results:

- Finishing Weight gains of 13.7% better than untreated birds and 15.8% above global industry best practice "Ross Standard".
- Improved feed conversion of 11.7% above the Ross Standard and 9.2% better than untreated birds.
- Documented efficacy regardless of the presence or absence of in-feed antibiotics.

In addition to the outstanding efficacy results, Imugene's vaccine is suitable for mass administration in water or feed.

The Competitive Advantages Over Antibiotics and Other Treatments

Imugene's Poultry Productivity Enhancer also delivers other significant benefits over antibiotics and antimicrobial chemicals.

- In-feed antibiotics are only effective against bacterial diseases and do not provide any protection against viral diseases whilst Imugene's vaccine improves immune protection against both.
- Imugene's vaccine with its proven efficacy for improved feed conversion and weight gain, significantly lowers producers' costs of production (i.e. shorter time period to market weight, lower feed costs).
- Imugene's products are biological (non-chemical) and are residue free, satisfying consumers' increasing demands for antibiotic and chemical free chickens.

As the necessary regulatory approvals are obtained, the Poultry Productivity Enhancer vaccine will be sold across global poultry markets for use both with in-feed antibiotics and following their withdrawal. The product is ideally positioned to move into this expanding market.

AVIAN INFLUENZA (“Bird Flu”)

H5N1 Highly Pathogenic Avian Influenza (HPAI)

A severe form of avian influenza or Bird Flu has affected poultry flocks and other birds in several Asian countries since 2003. As of September 2005, 113 people have been infected, 58 of whom have died, raising concerns of further spread among humans and pandemic infection.

Previous serotypes of Bird Flu have not infected species other than birds or pigs. Historically, human infection with avian influenza viruses has been rare and has usually caused mild conditions such as conjunctivitis (eye infection).

The current H5N1 Bird Flu strain is able to cross the species barrier and infect humans. In dense human populations, where domestic pigs and wild and domestic birds live in close proximity with people, the mingling and exchange of human and animal viruses and the viral RNA can occur more easily.

Outbreaks of Bird Flu in animals have been reported in several countries in Asia, as well as Hong Kong, Russia, Turkey and Romania. Most recently, concerns have emerged that the H5N1 virus will reach Western Europe by the northern hemisphere winter.

There is mounting evidence also that the virus is attaining the capability to be transmitted directly from human to human – world health authorities regard this as the trigger for the feared global pandemic.

Many hundreds of millions of doses of the existing avian influenza vaccines have been administered since the commencement of this outbreak. In the last twelve months alone Indonesia sought to vaccinate 300 million chickens and Vietnam has announced plans to vaccinate 415 million birds this year.



Vaccines currently registered for control of Bird Flu all have significant limitations.

- Live attenuated flu virus vaccines – safety risk – The administration of these traditional vaccines poses a high risk of mutating and forming new and possibly more virulent strains of Bird Flu.
- Pox vectored vaccines – economically non viable for broiler market – are available in some south east Asian countries and Mexico. While avoiding the problems of the traditional flu virus vaccines, these must be individually injected into each bird twice at an interval of 14 days. As speed and labour costs are critical these vaccines are not considered viable for mass producing poultry broiler markets.

Imugene Advantage

The Imugene Bird Flu vaccine under development solves the limitations of existing treatments.

Safety – Imugene’s trial vaccine utilises the Adenoviral Delivery Vector platform technology to deliver the necessary genetic material to stimulate the birds’ immune responses against the Bird Flu virus. Through the delivery of a very small

portion of the flu genetic material to poultry the immune system is stimulated. An immune response is triggered and protection is then provided from the flu virus. The safety advantage is a result of only a very small portion of the genetic composition of the Bird Flu virus being used. This vaccine technique is far safer than live attenuated vaccines as the risk of recombination with the wild type virus or human influenza strains is virtually eliminated.

Compounding the problem with the existing live attenuated vaccines is that during an avian influenza outbreak, diagnostic tests cannot distinguish vaccinated (uninfected) birds from those affected by the disease. As Imugene’s vaccine delivers only a portion of the flu genetic material, instead of the whole virus, it is possible to distinguish between vaccinated and infected birds. This translates into the major benefit of allowing countries to undertake a vaccination program to protect whole areas or countries whilst still maintaining surveillance for disease outbreaks and ensuring human safety. As the vaccinated birds can be differentiated from infected birds, export markets are safely protected.

Report on products under development

Viability – the trial vaccine enjoys the advantages of the Adenoviral Delivery Vector and therefore is cost effective to administer on a mass scale to poultry.

Current studies

Construction of Imugene's Bird Flu vaccine candidates has occurred throughout the year. Recent studies and trialling continues to assess the ability of these experimental constructs to elicit circulating antibody responses to the avian influenza H5N1 strain in chickens.

This approach will allow a more quantifiable assessment of the response of the birds to the vaccine candidate to determine the appropriate dosage, timing and route of administration. Following review and assessment of this data, the most appropriate combinations will progress to final challenge trials.

These challenge trials must be undertaken with extreme care due to the danger of working with the H5N1 Bird Flu virus. Understandably, governments, laboratories and workers wish to minimize exposure or risk to such a deadly virus. Accordingly, Imugene is undertaking as many of the trials it possibly can, using antibody response measurements rather than full challenge trials.

PORCINE REPRODUCTIVE AND RESPIRATORY SYNDROME (PRRS)

The PRRS virus is viewed by many veterinarians as the most damaging disease affecting the worldwide pig industry. Initially recognised in the US in 1987, the disease spread rapidly to Europe in 1990 and subsequently across the rest of the world. Australia is one of three countries considered to be PRRS free. All the major pork producing markets throughout the world are affected with PRRS. This disease is one of the most economically important diseases of pigs worldwide causing estimated annual industry losses of up to US\$1 billion.

The disease is characterised by abortion, premature farrowing, stillborn and mummified piglets, respiratory disease with loss by death and chronic poor performance of nursing and weaned pigs. There is no current effective treatment for the viral infection. Vaccines developed to date have suffered from either poor performance or safety problems. Attempted control of PRRS on the farm by management processes have been tedious and labour intensive process and with only limited success.

There is a desperate need for an effective vaccine that is easy to administer, safe and where vaccinated pigs can be differentiated from infected pigs.

The new Imugene PRRS vaccine meets these needs.

Through the use of the Imugene patented Adenoviral Delivery Vector platform technology, the vaccine was successful in its first proof of concept trial last year. The trial demonstrated the vaccine prevented the disease in vaccinated pigs.

As a result of this highly successful trial, several multinational animal health companies initiated contact with Imugene and will review the existing data for potential licensing opportunities. As this disease does not occur in Australia, Imugene intends to license the vaccine to a major international animal health company for further trials, product development work and worldwide sales.

Following the initial successful validation trial, Imugene has concentrated on developing the vaccine using the upgraded and more powerful promoter within the Adenoviral Delivery Vector platform technology. This optimisation has successfully been completed. Development activity for this product is now solely concentrating on the commercialisation and licensing of the PRRS vaccine.

Preliminary estimates indicate an effective PRRS vaccine would generate revenue of up to US\$200 million per annum. If eradication programs are introduced, revenue could be as much as US\$300-400 million per annum. The total market size for a PRRS vaccine is difficult to estimate accurately, as the incidence of the disease is increasing.



PAV MERIAL

The disease treated by the PAV Merial vaccine is a clinical syndrome of pigs identified in Canada in 1996 but has since spread throughout Europe, Asia and the United States. The disease is usually associated with high health status herds and normally inflicts young pigs 6 to 16 weeks of age, but especially between 8-12 weeks.

Effective control of the disease is one of the major difficulties in pig production as there are no effective treatments and limited vaccines available. The cost of the disease and its ability to persist continues to cause significant economic loss to major pig producers.

Imugene has produced a vaccine candidate using its Adenoviral Delivery Technology together with patented genetic material provided and owned by Merial. The initial vaccine candidate has been trialed in Europe with promising results. The vaccine candidate has undergone the same reconstruction to incorporate the new promoter in the platform Adenoviral Delivery Technology. This process has recently been completed and we anticipate Merial will undertake animal trials in Europe in 2006.

The Imugene Adenoviral Delivery Technology is perfectly suited to providing an effective and viable treatment for this pig disease. The PAV Merial vaccine is suitable for mass delivery, is safe and can allow differentiation between vaccinated and infected pigs.

The market opportunity for an effective vaccine is large given the lack of competitors and Imugene is working to develop this product to ensure it is first to market.

PIG PRODUCTIVITY ENHANCER

Imugene is developing a productivity enhancer vaccine for pigs. Like the Poultry Productivity Enhancer, the pig immune enhancing material is delivered by the Adenoviral Delivery Vector technology. Previous trials demonstrated growth improvements in pigs of up to 8%.

The pig productivity enhancer aims to increase productivity by boosting the pig's natural immune system to help fend off costly diseases. As with the Poultry Productivity Enhancer, boosting the immune system assists in preventing both bacterial and viral diseases of the gastrointestinal and respiratory systems. The biological nature of the product ensures it is residue free and safe.

Two vaccine constructs are under evaluation and both have undergone the insertion of the new promoter with the upgrading of the Adenoviral Delivery Vector technology. Following completion of the constructs, pig trials will commence.

RECEPTOR MIMIC TECHNOLOGY (RMT)

Description

The Receptor Mimic Technology is a new biological method for gastrointestinal disease control that is safe, residue free and aims to improve animal health while reducing or replacing the use of antibiotics, drugs and chemicals in food producing animals. RMT is based on harmless E coli bacteria that have been modified to produce masses of receptor mimics that can bind, in the gut, to specific disease causing agents such as toxins. These receptor mimics absorb most toxins in the gut like a very specific biologic sponge, neutralising them and preventing or treating the target disease.

In 2004 Imugene licensed the right to assess and commercialise the RMT animal applications from the University of Adelaide.

RMT has been shown in laboratory studies at the University of Adelaide to act like a high capacity, highly specific sponge mopping up toxins and potentially other pathogens. Imugene has chosen diarrhoea of piglets as the lead product and proof of commercial principle candidate.

RMT research to date

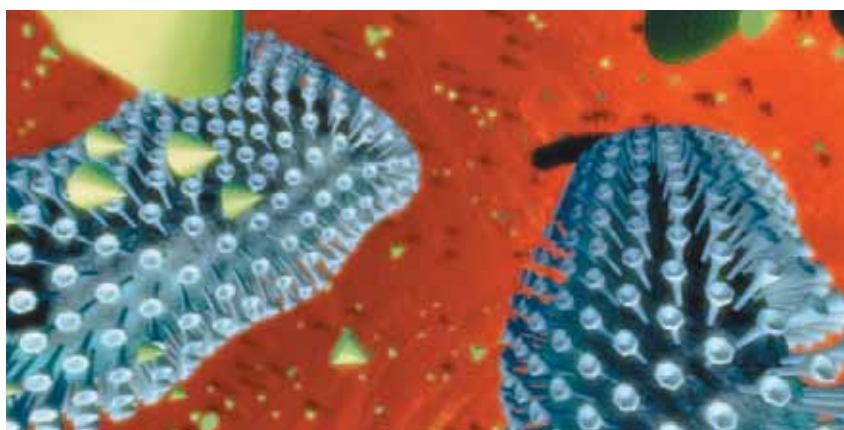
Three major RMT studies were undertaken during this year in diarrhoea prevention in weaned piglets.

Post-weaning diarrhoea is a major problem within the pig industry causing major losses due to treatment costs and wastage. The usual manner of addressing this disease is with the use of preventive in-feed antibiotics.

The three studies undertaken yielded useful information regarding the application of the RMT in field disease situations. Issues relating to delivery systems, dose rates and carrier bacteria types were all identified as areas for further investigation.

Further studies are being planned to determine such issues as dwell times for the live and killed bacteria in the gut, the ability of the constructs made to date to deal with a range of toxins elaborated by bacteria in the field (as against single toxin challenge as was used in the rodent studies) and the best way to administer the material for testing and commercial applications.

Report on products under development



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Commercial issues

Concurrent with this joint research effort, Imugene has identified pre-determined points in the programme to commence certain enabling projects such as assay development and yield optimisation. These will be conducted by external contractors with experience in the development and management of bacterial based biotech systems.

The aim of these projects is to develop a high value product for the commercial farming environment for the lowest possible time and cost.

Imugene has shown with its Adenoviral Vector programme that it can identify and rapidly test products and applications and also to switch priorities. At the same time the Company is adding to its expertise and knowledge of its potential customers and markets. Ultimately Imugene will only advance projects or technology applications that are commercially compelling.

COMPANION ANIMALS (PETS) BIOLOGICAL FLEA VACCINE DEVELOPMENT

Pre-Proof of Concept Research Project

Imugene is considering the alternatives to continue its research to develop an effective vaccine to protect pets from fleas. Our objective is to design a vaccine that is administered annually with other vaccines delivered by veterinarians.

Fleas and flea related conditions are the most common problem for pet owners. Current treatments are chemical and require constant application. They are generally ineffective and comprise the largest share of the market. Sales of flea related treatments are estimated to be in excess of \$1.5 billion worldwide per annum.

Our initial flea research project was undertaken with Murdoch University. The research identified a small number of potential vaccine candidates from the initial screening protocols. Upon careful analysis, Imugene has decided to use different techniques to screen for additional vaccine candidates.

Following assessment and selection of the research technique to be undertaken, Imugene will contract the research activities within appropriate Australian and international research institutes.

Patents

Poultry Adenovirus Patents (FAV)

Country/ Jurisdiction	Patent/ Application No.	Status
United States	6296852	Granted
Australia	676042	Granted
New Zealand	263772	Granted
Europe	94912411.9	Pending
Japan	6522542	Granted

Chicken Cytokines and Genetic Sequences (‘Chicken Gamma Interferon’)

Country/ Jurisdiction	Patent/ Application No.	Status
United States	6642032/6083724	Granted
Canada	2214453	Pending
Australia	689028	Granted
New Zealand	302188	Granted
Mexico	976735	Pending
Europe	96903831.4	Pending

Pig Adenovirus Patents (PAV)

Country/ Jurisdiction	Patent/ Application No.	Status
Australia	87209/98	Granted
Vietnam	20000211	Granted
New Zealand	503039	Granted
United States	09/485512	Pending
Brazil	98111841	Pending
Canada	98809116X	Pending
Europe	98938527.3	Pending
Hong Kong	1103506.0	Pending
Indonesia	2000-0491	Pending
Japan	2000-509443	Pending
Korea	2000-7001486	Pending
Mexico	2000-001562	Pending

RMT PATENTS

Recombinant Bacterium Expressing An Oligosaccharide Receptor Mimic

Country/ Jurisdiction	Patent/ Application No.	Status
Australia	70349/00	Granted
Brazil	0013915-7	Application
Canada	2,384,081	Application
Chile	0415-2002	Application
Europe	00958947.4	Application
Hungary	P0202863	Application
India	IN/PCT/2002,00287/Del	Application
Japan	2001-523732	Application
Mexico	PA/a/2002/002536	Application
New Zealand	517821	Granted
Poland	P364796	Application
Slovakia	PP347-2002	Application
United States of America	6833130	Granted
South Africa	20021958	Granted

Treatment and Prevention of Enterotoxigenic Escherichia Coli Diarrhoeas

Country/ Jurisdiction	Patent/ Application No.	Status
Australia	2004901373	Application

Imugene Limited Financial Report 2005

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Directors' Report

30 June 2005

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 at the end of, or during, the year ended 30 June 2005 ("Consolidated Entity").

Directors

The names of directors in office at any time during the financial year or since the end of the financial year are:

Mr Graham Dowland
Dr Warwick Lamb
Mr Roger Steinepreis

Each director held their office from 1 July 2004 until the date of this report.

Current Directors

Mr Graham Dowland - Executive Chairman

Qualifications – B.Com, CA

Mr Dowland has for the past 17 years, been involved as either a significant shareholder, director or senior consultant / advisor with a number of public companies listed on Stock Exchanges in Australia, Canada and the United Kingdom with operations internationally. These companies have been and continue to be involved in various industries including pharmaceutical research and development – specifically human and animal biotechnology, gold mining and exploration, oil and gas exploration and production, manufacturing, and industrial technology development and marketing.

Mr Dowland has been involved in the development phase of numerous businesses that have achieved listings and capital raisings from the various major international Stock Exchanges. Since returning to Australia in July 2000 after residing in London, Mr Dowland has been involved in evaluating business opportunities within the veterinary and animal services industries.

Other Current Directorships of Listed Companies:

Mr Dowland is also a non-executive director of Aurora Oil & Gas Limited (appointed 22 February 2005).

Former Directorships of Listed Companies in Last 3 years

None.

Dr Warwick Lamb - Managing Director

Qualifications – BVSc, M Vet Clin Stud, FACVSc

Dr Lamb is a specialist veterinarian with experience within the profession at all levels. He has the rare combination of having worked in private general practice, private specialist practice and University practice both in Australia and the USA. He is a registered specialist in canine and feline medicine and a Fellow of the Australian College of Veterinary Scientists. Dr Lamb was awarded the Small Animal Practitioner of the Year 2001 by the Australian Small Animal Veterinary Association.

Dr Lamb developed Australia's first stand-alone, referral only internal medicine specialist hospital in Australia. This practice remains the leading private referral practice in the country, employing some 12 veterinarians and providing 24-hour emergency and critical care facilities.

Other Current Directorships of Listed Companies:

None

Former Directorships of Listed Companies in Last 3 years

None.

Mr Roger Steinepreis - Non-Executive Director

Qualifications - B.Juris LLB

Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 16 years.

Directors' Report

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers.

Other Current Directorships of Listed Companies:

Mr Steinepreis is an alternate director of Commoditel Limited (appointed 29 June 2005).

Former Directorships of Listed Companies in Last 3 years

- Commoditel Limited (August 2003 – December 2003)
- Ottoman Energy Limited (January 2004 – November 2004)
- Reward Minerals Limited (June 2002 – June 2002)

Company Secretary

Mr Alexander Neuling

Qualifications – BSc (Hons) ACA (ICAEW)

The Company Secretary is Mr Alexander Neuling. Mr Neuling was appointed to the position during the current financial year. Before joining Imugene, he worked at a major international accounting firm in London (1998-2002) and in Perth (since 2002). He holds an honours degree in Chemistry from the University of Leeds in the United Kingdom and is a member of the Institute of Chartered Accountants of England and Wales.

Principal Activities

The principal activity of the Consolidated Entity during the financial year was animal health biopharmaceutical development and commercialisation. No significant change in the nature of this activity occurred during the financial year.

Employees

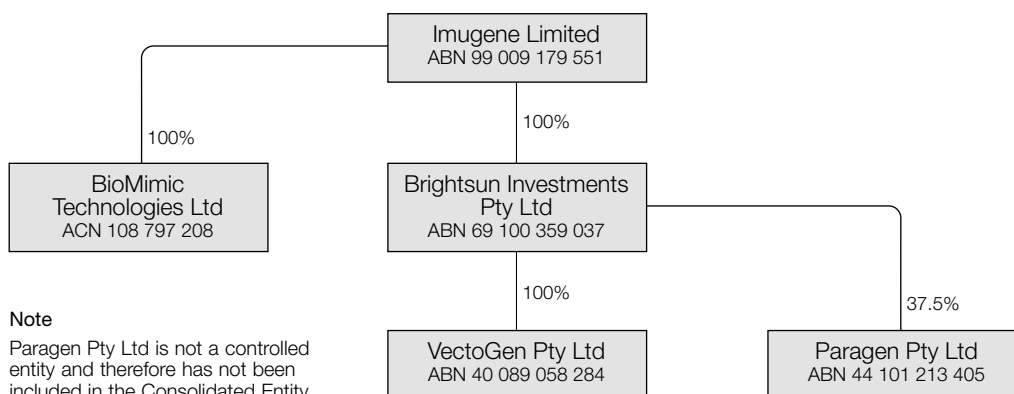
	2005	2004
The number of full time equivalent people employed by the Consolidated Entity at balance date	5	4

Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2005.

Corporate Structure

Imugene Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the Group's corporate structure:



Directors' Report

Consolidated Results

	2005 \$	2004 \$
Loss of the Consolidated Entity from ordinary activities before income tax benefit	(2,116,968)	(2,785,629)
Income tax benefit	322,760	669,954
Net loss	(1,794,208)	(2,115,675)

Operating Results

The Consolidated Entity recorded a net loss of \$1,794,208 (2004: net loss of \$2,115,675) for the year ended 30 June 2005.

Post Balance Date Events

As at the date of this report there are no matters or circumstances, which have arisen since 30 June 2005 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2005, of the Consolidated Entity constituted by Imugene Limited and the entities it controls from time to time;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2005, of the Consolidated Entity.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year and to the date of this report:

- On 21 January 2005, The Company announced that it had finalised 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.
- On 17 November 2004, the Company announced that analysis of the initial batch of the test vaccine responsible for unexpected adverse results in its Avian Influenza pilot trial (reported in October 2004) had revealed a batch defect rendering the trial invalid. The test vaccine is now being reconstructed in order to re-perform the initial trials.
- On 15 November 2004, the Company announced the successful completion of a large scale product development trial of its Poultry Productivity Enhancer with substantially improved performance compared with the trial results announced in August 2004. The trial demonstrated up to 13.75 percent weight gains compared with in-feed antibiotics alone.
- On 10 November 2004 the Company announced it had successfully completed pig trials for the efficacy of its new Porcine Reproductive and Respiratory Syndrome (PRRS) vaccine.

Environmental Regulation

The Consolidated Entity's environmental obligations are regulated under both State and Federal laws. The Company has a policy of exceeding or at least complying with its environmental performance obligations.

During the financial year, the Consolidated Entity did not materially breach any particular or significant Commonwealth, State or Territory regulation in respect to environmental management.

Likely Developments

Due to the nature of the Consolidated Entity's business activities, the Directors are not able to state:

- (a) likely developments in the entities' operations; or
- (b) the expected results of these operations,

as to do so would result in unreasonable prejudice to the Consolidated Entity.

Directors' Report

Information on Directors' Interests in Securities of Imugene

	Interest in Securities at the date of this Report		Interest in Securities issued/granted during the year
	Ordinary Shares ⁽¹⁾	Executive Performance Options ⁽²⁾	Ordinary Shares ⁽¹⁾
Graham Dowland	6,790,002	2,500,000	23,334
Warwick Lamb	6,400,001	2,500,000	46,667
Roger Steinepreis	4,263,678	—	1,060,741

(1) "Shares" means fully paid ordinary shares in the capital of the Company. Shares were issued during the year following the exercise of options at 11.25 cents each.

(2) "Executive Performance Options" means an option to subscribe for one Share exercisable on the terms and conditions outlined in Note 13(g) of the financial statements.

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2005, and the number of meetings attended by each director. No meetings of committees took place during the year ended 30 June 2005.

	Board Meetings	
	No. eligible to attend	No. attended
Graham Dowland	5	5
Warwick Lamb	5	5
Roger Steinepreis	5	4

Share Options

At the date of this report the following options have been issued over unissued capital:

- 4,633,333 unlisted Performance Options at an exercise price of \$0.225 each (see Notes 13(d) and 13(f) of the financial statements for further details of the terms and conditions of the Performance Options).
- 6,000,000 unlisted Executive Performance Options (see Notes 13(d) and 13(g) of the financial statements for further details of the terms and conditions of the Executive Performance Options).
- 4,250,000 Listed Options with an exercise price of \$0.50 (see Notes 13(d) and 13(e) for further details of the terms and conditions of the Listed Options).
- 1,400,000 Employee Performance Options (see Notes 13(d) and 13(h) for further details of the terms and conditions of the Employee Performance Options).

Dr Adrian Hodgson, a former employee of VectoGen Pty Ltd, currently holds 100,000 options to subscribe for ordinary shares in the issued capital of VectoGen Pty Ltd at an exercise price of \$0.56 each. Up to the date of this report, no shares have been issued as a result of the exercise of these options.

Options exercised during the year

During the year, 2,461,484 fully paid ordinary shares were issued following the exercise of 2,461,484 options at \$0.1125 each. Since 30 June 2005, no fully paid ordinary shares have been issued as a result of the exercise of the Company's options.

Directors' Report

REMUNERATION REPORT

This report details the amount and nature of remuneration of each director and those executives (other than directors) with the greatest authority for the strategic direction and management of the Company.

The directors of Imugene Limited during the year were:

Mr Graham Dowland (Executive Chairman)
Dr Warwick Lamb (Managing Director)
Mr Roger Steinepreis (Non-executive)

The most highly remunerated executives (other than directors) during the year were:

Dr Paul Macleman (Chief Operating Officer, appointed 1 November 2004)
Dr Michael Sheppard (Chief Scientific Officer)
Dr Colin Hort (Commercial Manager, resigned 28 October 2004)

Other than as disclosed above, there were no executive officers of the Company during the year ended 30 June 2005.

Remuneration Policy

At present, the functions of the Remuneration Committee in relation to the remuneration of the Company's executives including share and benefit plans are carried out by the full Board. Issues of remuneration are considered annually and otherwise as required.

Executives

The objectives of the remuneration policy developed by the Board are to review the competitiveness of the Company's executive compensation programs to ensure the remuneration package properly reflects the executive officer's duties and responsibilities. Remuneration is aimed at being competitive in attracting, motivating and retaining executive officers of the highest quality who are expected to be able to generate increased shareholder wealth through improved performance. The remuneration packages approved by the board include a fixed element and performance related bonus provisions. A bonus scheme was established in August 2003 for executive directors, which provides for a cash bonus payable half yearly dependent upon the average share price over that period (refer Note 17(b))(2) of the financial statements for further details).

The incorporation of specific, equity related components of executive remuneration are considered to be particular appropriate in the resulting alignment to shareholders' interests and capital management efficiencies.

The remuneration policy in regard to setting the terms and conditions for the executives of the Company has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. Where appropriate, executive directors' remuneration has been structured in conjunction with external remuneration consultants.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market conditions, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at General Meeting. Fees for non-executive directors are not linked to the performance of the Company, however to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company.

Service Agreements

Details of service agreements between the Company and its directors and specified officers are disclosed in note 17(e) to the attached financial report.

Directors' Report

Emoluments of Directors and Officers

The emoluments (paid or payable) of each Director and the specified executives for the year ended 30 June 2005 are as follows:

	Base remuneration (salary & fees) \$	PRIMARY		POST-EMPLOYMENT		EQUITY	TOTAL ⁽¹⁾
		Bonuses \$	Non-cash benefits \$	Super contributions \$	Termination & retirement benefits \$	Options ⁽³⁾ \$	\$
Current Directors							
Graham Dowland	139,000	125,000	—	36,000	—	51,481	351,481
Warwick Lamb	142,673	125,000	17,877	14,450	—	51,481	351,481
Roger Steinepreis	25,000	—	—	—	—	—	25,000
Executive Officers ⁽²⁾							
Paul Macleman (appointed 1 Nov 2004)	98,295	—	—	8,847	—	55,305	162,447
Mike Sheppard	146,789	—	—	13,211	—	34,192	194,192
Colin Hort (resigned 28 Oct 2004)	25,229	—	—	2,271	—	4,173	31,673

Notes.

- (1) The elements of emoluments have been determined on the basis of the cost to the Consolidated Entity.
- (2) Executives are those directly accountable and responsible for the operational management and strategic direction of the Consolidated Entity.
- (3) See "Share-based Compensation" below.

Share-based Compensation

No options were granted to directors during the year to 30 June 2005.

The Consolidated Entity uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2004. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been made or will be made to reverse amounts previously disclosed in relation to options that never vest (ie. forfeitures).

The application of the above policy has resulted in a 'non cash' value of \$51,481 (see below for details of the method for determining fair value pursuant to the Accounting Standard) being attributed to 625,000 options for each of the two executive directors, exercisable at 25 cents each up to 31 December 2006, that vested on 1 July 2005 to each of the two executive directors. These options were granted on 27 November 2003, following shareholder approval, however, the vesting terms required the directors to remain in the employment of the company until 1 July 2005.

From 1 July 2003, options granted as part of director and executive emoluments have been independently valued using the Black-Scholes Option Valuation model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

Directors' Report

Fair Value of Options

The fair value of each option is estimated on the date of grant using the Black-Scholes Option Valuation Model with the following assumptions used for grants made during the financial years ended 30 June 2003 and 30 June 2004:

	2005	2004
Dividend yield	—	—
Expected volatility	72%	72%
Historical volatility	72%	72%
Risk-free interest rate	5.56%	5.5%
Expected life of option	3.1 years	4.6 years

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

	A Remuneration consisting of Options	B Value at Grant Date	C Value at Exercise Date	D Value at Lapse Date	Total of Columns B–D
Directors					
(Note 1)					
Graham Dowland	14.6%	51,481	—	—	51,481
Warwick Lamb	14.6%	51,481	—	—	51,481
Roger Steinepreis	—	—	—	—	—
Other Executives					
Dr Paul Macleman	34.0%	55,305	—	—	55,305
Dr Michael Sheppard	17.6%	34,192	—	—	34,192
Dr Colin Hort	13.2%	4,173	21,667	—	25,840

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B

B = The value at grant date calculated in accordance with AASB 1046 Director and Executive Disclosures by Disclosing Entities of options granted during the year as part of remuneration

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year

Note 1.

These options were granted on 27 November 2003, following shareholder approval at the 2003 AGM, however, the vesting terms required the directors to remain in the employment of the company until 1 July 2005. Accordingly the non cash value of these options as calculated above is represented as remuneration 'value' in the year ended 30 June 2005.

Directors' Report

Options granted to executives

Options over unissued ordinary shares in Imugene Limited granted during or since the end of the financial year to any of the directors or executives are as follows (see also note 13 of the financial report for details of terms and conditions):

	Grant Date	Number	Exercise Price	Expiry Date	Value per option at grant date	Vesting Date
Directors						
None granted						
Other Executives						
Dr Paul Macleman	31 Jan 05	1,000,000	\$0.50	31 Oct 07	\$0.09	31 Oct 2007
	31 Jan 05	200,000	\$0.375	31 Oct 07	\$0.12	31 Oct 2005
	31 Jan 05	200,000	\$0.30	31 Dec 06	\$0.10	1 Feb 2005
Dr Michael Sheppard	24 Feb 05	250,000	\$0.50	31 Jan 07	\$0.05	On grant date
Dr Colin Hort	24 Aug 05	133,333	\$0.375	31 Oct 07	\$0.03	On grant date

Options Affecting Remuneration

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows (see also note 13 of the financial report for detailed terms and conditions):

	Grant Date	Number	Exercise Price	Expiry Date	Value per option at grant date	Vesting Date
Directors						
	27 Nov 2003	1,250,000	\$0.25	31 Dec 06	\$0.13	1 July 2004
	27 Nov 2003	1,250,000	\$0.25	31 Dec 06	\$0.13	1 July 2005
Other Executives						
	27 Nov 2003	250,000	\$0.25	31 Dec 06	\$0.13	1 July 2005
	31 Jan 05	1,000,000	\$0.50	31 Oct 07	\$0.09	31 Oct 2007
	31 Jan 05	200,000	\$0.375	31 Oct 07	\$0.12	31 Oct 2005
	31 Jan 05	200,000	\$0.30	31 Dec 06	\$0.10	1 Feb 2005
	24 Feb 05	250,000	\$0.50	31 Jan 07	\$0.08	On grant date
	24 Aug 05	133,333	\$0.375	31 Oct 07	\$0.03	On grant date

Auditor's Independence Declaration

The auditor's independence declaration is included on page 26 of the financial report.

Non-Audit Services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 18 to the financial statements (no non-audit services were performed by the auditors during the year ended 30 June 2005).

Directors' Report

Insurance of Officers and Auditors

Since the end of the financial year, the Company has agreed to pay a premium in respect of a contract insuring the directors of the Company (as named above) and the company secretary Mr Alexander Neuling against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

This report is made in accordance with a resolution of the directors.



GRAHAM DOWLAND
Executive Chairman

Perth, Western Australia
13 September 2005

Corporate Governance Statement

Introduction

Imugene Limited ACN 009 179 551 ("Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.imugene.com :

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- policy and procedure for selection and appointment of new directors;
- summary of code of conduct for directors and key executives;
- summary of policy on securities trading;
- Audit Committee Charter;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

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Explanations for departures from Best Practice Recommendations

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles⁽¹⁾ and the corresponding Best Practice Recommendations⁽²⁾ as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1	The functions of management were not formally disclosed prior to the Board approving its Statement of Board and Management Functions on 26 May 2005.	Prior to 26 May 2005 separate functions of the Board and management existed and were practised prior to the formal adoption of the Statement of Board and Management Functions.
2	2.1	The Board comprises one non-executive director and two executive directors, none of whom satisfy the test of independence in box 2.1 of the ASX Corporate Governance Council's Principles of Good Corporate Governance (Independence Test).	The Board considers that its current composition is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant to the Company's investments. Imugene Limited considers industry experience and specific expertise to be important attributes of its board members.

(1) A copy of the Ten Essential Corporate Governance Principles are set out on the Company's website under the Section entitled "Corporate Governance".

(2) A copy of the Best Practice Recommendations are set out on the Company's website under the Section entitled "Corporate Governance".

Corporate Governance Statement

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.2	The Chairman does not satisfy the test of independence in box 2.1 of ASX Corporate Governance Council's Principles of Good Corporate Governance (Independence Test)	<p>Notwithstanding that Mr Dowland does not satisfy all aspects of the Independence Test, the Board considers that its current structure is appropriate for the Company's size and operations. In addition, Mr Dowland has played a key role in re-directing the Company and has extensive experience as both a director and chairman of various listed companies, making him the most qualified Board member for this role.</p> <p>In situations where it would be inappropriate for Mr Dowland to act as chairman (for example, when there is a conflict of interest), the Board has appointed Mr Roger Steinepreis as the lead non-executive director.</p>
2	2.4	A separate nomination committee has not been formed.	Given the Board comprises three members and director appointments are relatively infrequent, it was decided that no efficiencies would be achieved by establishing a separate nomination committee. The whole board carries out the duties which would otherwise be undertaken by the nomination committee and each member excludes him or herself from matters in which he has a material person interest and otherwise ensures compliance with all aspects of the Corporations Act in relation to related party transactions.
3	3.1	A Code of Conduct was formalised and adopted by the Company on 26 May 2005.	Prior to 26 May 2005 the Board considers that its business practices, as led by the example of Board and key executives, were the equivalent of a code of conduct. These practices are now reflected in the Code of Conduct adopted by the Company on 26 May 2005.
3	3.2	The Company adopted a written securities trading policy 26 May 2005.	Although prior to 26 May 2005 there was no written policy, there was an understanding as to when it on was appropriate for trading in securities to occur. This understanding has been formulated into the Company's written securities trading policy.
4	4.2	A separate audit committee has not been formed.	The whole Board carries out the duties of the audit committee. In so acting, the whole Board follows the Audit Committee Charter a copy of which is available to shareholders on request.
4	4.3	The full Board carries out the functions of an audit committee which is not in compliance with the criteria specified in the best practice recommendation 4.3.	Due to the small scale of the Company's business and the size of the Board, the Board does not consider that the Company will gain any benefit from a separate audit committee.

Corporate Governance Statement

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
4	4.4	The Company adopted a formal audit committee charter on 26 May 2005.	Prior to 26 May 2005 all the Board members considered audit issues to ensure compliance with statutory responsibilities relating to accounting policy disclosure.
5	5.1	Until 26 May 2005 there were no written policies and procedures designed to ensure compliance with the ASX Listing Rule disclosure requirements and accountability for the compliance.	Informal procedures were in place prior to 26 May 2005 which have been formulated into written policies and procedures.
6	6.1	Until 26 May 2005 there was no formal strategy to promote shareholder communication.	On 26 May 2005 the Company adopted established a formal shareholder communication strategy. Prior to 26 May 2005 the Company still encouraged full participation of shareholders at the Annual General Meeting and posted all reports, ASX and media releases and copies of significant business presentations on the Company's website, however this strategy had not been formalised.
7	7.1	On 26 May 2005 the Company adopted a framework for formal policies and procedures to identify financial and operating risks and to effectively manage and communicate to the Board.	Prior to 26 May 2005 the Board had informal policies and procedures in place which have been documented and reflected in the formal policies and procedures.
8	8.1	During the Reporting Period, there was no performance evaluation of the Board, its committees and individual directors and key executives.	The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and counselling them on any areas for improvement. This has worked satisfactorily, but the Board is now considering a more formal process of review.
9	9.1	The Company adopted a formal remuneration policy on 26 May 2005.	Although the policy was not formally disclosed prior to its adoption, all relevant disclosures required by law were made.
9	9.2	The Company adopted the Remuneration Committee Charter on 26 May 2005.	Prior to 26 May 2005 the full Board considered issues of remuneration, applying the policies and procedures now formalised in the Remuneration Committee Charter. The Board also seeks professional advice when required.
10	10.1	A code of conduct was adopted on 26 May 2005.	Although until 26 May 2005 there was no code of conduct documented or disclosed, the Board considered its business practices, as led by the example of the Board and key executives, were the equivalent of a code of conduct. The Company has now documented these practices and principles into a written code of conduct.

Corporate Governance Statement

Skills, experience, expertise and Term of Office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

The board currently has no directors that satisfy the test of independence in box 2.1 of ASX Corporate Governance Council's Principles of Good Corporate Governance (Independence Test)

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Names of Nomination Committee members and their attendance at Committee meetings

The full Board carries out the functions of a nomination committee in accordance with the Nomination Committee Charter. The full Board considered nomination committee matters on 26 May 2005.

Names and qualifications of Audit Committee members

The full Board carries out the functions of an Audit Committee in accordance with the Audit Committee Charter.

The relevant financial expertise and industry experience of each of the Board members is set out in the Directors' Report.

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Number of Audit Committee meetings and names of attendees

During the Reporting Period the full Board addressed audit committee issues on 17 February 2005.

Confirmation whether performance evaluation of the Board and its members have taken place and how conducted

During the Reporting Period an evaluation of the Board and its members was not carried out. The Company expects to conduct such an evaluation during the 2005/2006 financial year.

Company's Remuneration Policies

Details of the Company's remuneration policies are disclosed in the Remuneration Report contained in the Directors Report.

Names of Remuneration Committee members and their attendance at Committee meetings

The full Board carries out the functions of a Remuneration Committee in accordance with the Remuneration Committee Charter. The full Board approved the formal remuneration policy on 26 May 2005. Other than this, the board were not required to address any remuneration committee business during the year.

Existence and Terms of any schemes for retirement benefits for Non-executive Directors

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

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www.deloitte.com.au

The Board of Directors
Imugene Limited
Level 20/77 St Georges Tce
Perth WA 6000

13th September 2005

Dear Sirs

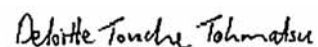
Imugene Limited

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.

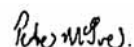
As lead audit partner for the audit of the financial statements of Imugene Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter McIver
Partner
Chartered Accountants

Statement of Financial Performance

for the financial year ended 30 June 2005

	Note	Consolidated		Imugene	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from ordinary activities	2	389,501	123,598	1,037,806	790,429
Research and development expenses		(810,377)	(885,791)	(942,292)	(104,945)
Business development		(247,500)	(249,780)	(247,500)	(124,890)
Commercialisation expenses	3	(870,245)	(734,516)	(429,656)	(11,789)
Write down to recoverable amount of research and development investments	3	—	(475,496)	(890,390)	(2,200,000)
Corporate and administrative expenses		(578,347)	(563,644)	(564,732)	(1,126,415)
Loss from ordinary activities before income tax revenue		(2,116,968)	(2,785,629)	(2,036,764)	(2,777,610)
Income tax benefit relating to ordinary activities	4(a)	322,760	669,954	268,408	18,584
Loss from ordinary activities after income tax revenue		(1,794,208)	(2,115,675)	(1,768,356)	(2,759,026)
Net loss attributable to outside equity interests		—	—	—	—
Loss attributable to members of Imugene Limited		(1,794,208)	(2,115,675)	(1,768,356)	(2,759,026)
Total expenses attributable to members of Imugene Limited recognized directly in equity					
Share Issue Costs		(261,717)	(3,321)	(261,717)	(3,321)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Imugene Limited		(2,055,925)	(2,118,996)	(2,030,073)	(2,762,347)
Earnings per share					
Basic loss per share (cents per share)	21	(1.5)	(2.0)		
Diluted loss per share (cents per share)	21	(1.5)	(2.0)		

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Notes to and forming part of the Statement of Financial Performance are set out on pages 30 to 59.

Statement of Financial Position

as at 30 June 2005

	Note	Consolidated		Imugene	
		2005 \$	2004 \$	2005 \$	2004 \$
Current Assets					
Cash assets	20(b)	4,346,447	962,743	4,294,399	775,121
Receivables	5	—	—	—	376,015
Tax assets	6	286,991	311,401	286,991	311,401
Other	7	109,563	75,450	5,161	2,152
Total Current Assets		4,743,001	1,349,594	4,586,551	1,464,689
Non-current Assets					
Other financial assets	8	—	—	4,385,701	4,495,912
Property, plant and equipment	9	14,597	18,643	14,597	18,643
Intangible assets	10	4,306,585	4,647,725	—	—
Total Non-current Assets		4,321,182	4,666,368	4,400,298	4,514,555
TOTAL ASSETS		9,064,183	6,015,962	8,986,849	5,979,244
Current Liabilities					
Payables	11	362,630	551,608	285,296	540,742
Provisions	12	48,893	32,686	48,893	32,686
TOTAL LIABILITIES		411,523	584,294	334,189	573,428
NET ASSETS		8,652,660	5,431,668	8,652,660	5,405,816
EQUITY					
Contributed equity	13	13,180,042	8,164,842	13,180,042	8,164,842
Accumulated losses	14	(4,527,382)	(2,733,174)	(4,527,382)	(2,759,026)
Total Parent Entity Interest in Equity		8,652,660	5,431,668	8,652,660	5,405,816
Total Outside Equity Interest	15	—	—	—	—
TOTAL EQUITY		8,652,660	5,431,668	8,652,660	5,405,816

Notes to and forming part of the Statement of Financial Position are set out on pages 30 to 59.

Statement of Cash Flows

for the financial year ended 30 June 2005

	Note	Consolidated		Imugene	
		2005 \$	2004 \$	2005 \$	2004 \$
Cash flows from operating activities					
Government grant received		254,199	43,000	254,199	43,000
Payments to suppliers & employees		(2,365,106)	(2,001,153)	(1,826,271)	(1,360,664)
Research and development rebate		347,170	358,553	347,170	—
Interest received		134,729	80,598	131,373	66,485
Net cash flows used in operating activities	20(a)	(1,629,008)	(1,519,002)	(1,093,529)	(1,251,179)
Cash flows from investing activities					
Loans to controlled entities		—	—	(399,905)	(301,446)
Acquisition of property, plant and equipment		(2,488)	(7,173)	(2,488)	(7,173)
Purchase of unlisted shares		—	(234,300)	—	—
Net cash flows used in investing activities		(2,488)	(241,473)	(402,393)	(308,619)
Cash flows from financing activities					
Proceeds from issues of securities		5,276,917	105,389	5,276,917	105,389
Share issue expenses		(261,717)	—	(261,717)	—
Net cash flows from financing activities		5,015,200	105,389	5,015,200	105,389
Net increase/(decrease) in cash held		3,383,704	(1,655,086)	3,519,278	(1,454,409)
Cash at the beginning of the financial year		962,743	2,617,829	775,121	2,229,530
Cash at the end of the financial year	20(b)	4,346,447	962,743	4,294,399	775,121

Notes to and forming part of the Statement of Cash Flows are set out on pages 30 to 59.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(a) Principles of Consolidation

The consolidated accounts incorporate the assets and liabilities of all entities controlled by Imugene Limited ("Company or Imugene") as at 30 June 2005 and the results of all controlled entities for the year then ended. Imugene and its controlled entities together are referred to in this financial report as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Outside equity interests in the results and equity of Controlled Entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002

Effective 1 July 2003, for the purposes of income taxation, Imugene Limited and its 100% owned subsidiaries formed a tax consolidated group. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Imugene Limited. Income tax expenses and benefits are allocated between members of the wholly-owned group on a pro-rata basis. Under the terms of this agreement, Imugene Limited and each of the entities in the tax consolidated group will pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Investments

Imugene's interests in listed and unlisted securities, other than controlled entities in the consolidated accounts, are brought to account at cost and dividend income is recognised in the statement of financial performance when received. The principles of consolidation of interests in controlled entities are set out in Note 1(a).

(d) Recoverable Amount of Non-current Assets

The recoverable amount of an asset is the net amount expected to be recovered through net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. Discounted cash flows are used in determining recoverable amounts of non-current assets.

(e) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, superannuation and long service leave. Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds which have terms to maturity approximating the terms of the related liability, is used.

(f) Accounts payable

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.

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a reducing balance or straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Consolidated Entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:-

Plant and equipment	2 – 15 years
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Where items of property, plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of property, plant and equipment to which they relate.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Intangibles

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 15 years.

Patents and Licences

Patents and licences are expensed as incurred.

Research and Development

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

Government grants received or receivable in relation to research and development costs, which are recognised as an expense during the current or previous periods, are recognised as revenue.

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(i) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criterion must also be met before revenue is recognised:

Sale of Goods - Control of the goods has passed to the buyer.

Interest - Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(k) Financial Instruments Issued by the Company

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.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$
REVENUE				
Profit from ordinary activities before income tax includes the following items of revenue and expense				
Revenue from operating activities				
Management fees	—	—	651,975	680,944
	—	—	651,975	680,944
Revenue from non-operating activities				
Interest received/receivable	134,729	80,598	131,373	66,485
Government grant received	254,199	43,000	254,199	43,000
Other	573	—	259	—
	389,501	123,598	385,831	109,485
Total revenues from ordinary activities	389,501	123,598	1,037,806	790,429

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EXPENSES FROM ORDINARY ACTIVITIES

Expenses

Depreciation of non-current assets:

- Plant & equipment 6,533 7,575 6,533 7,575

Commercialisation expenses

- Patent expenses 135,183 173,033 35,734 3,739

- Employee expenses 393,922 220,464 393,922 8,050

- Amortisation of goodwill 341,140 341,019 — —

Other provisions:

- Employee benefits 16,207 22,422 16,207 22,422

Recoverable amount writedown:

- Investments – controlled entities — — 890,390 2,200,000

- Investments – research and development — 475,496 — —

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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	Consolidated		Imugene	
	2005	2004	2005	2004
	\$	\$	\$	\$

INCOME TAX

- (a) The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the loss from ordinary activities before tax. The differences are reconciled as follows:

Loss from ordinary activities before tax	(2,116,968)	(2,785,629)	(2,036,764)	(2,777,610)
Income tax calculated at 30%	(635,090)	(835,689)	(611,029)	(833,283)
Tax effect of permanent differences:				
Non-deductible expenses	241,634	378,501	693,135	661,935
Amortisation of intangible assets	102,342	102,305	—	—
Tax losses not brought to account	291,114	354,883	(119,272)	171,348
Research and development rebate received				
- year ended 30 June 2003	—	358,553	—	—
- year ended 30 June 2004	35,769	—	18,583	—
Research and development rebate receivable				
- year ended 30 June 2004	—	311,401	—	311,401
- year ended 30 June 2005	286,991	—	286,991	—
	322,760	669,954	268,408	311,401
Less net income tax expense arising under tax sharing arrangements with subsidiaries in the tax consolidated group	—	—	—	(292,817)
Income tax benefit attributable to loss from ordinary activities	322,760	669,954	268,408	18,584

- (b) Future income tax benefits arising from tax losses and timing differences of controlled entities not brought to account at balance date as realisation of the benefit is not regarded as virtually certain:

Tax losses	3,058,290	2,087,911	1,149,675	1,423,362
- Associated asset calculated using a tax rate of 30%	917,487	626,373	307,736	427,008

This future income tax benefit will only be obtained if:-

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

5	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$

CURRENT ASSETS – Receivables

Receivables – wholly owned entities	—	—	—	376,015
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CURRENT ASSETS – Tax assets

Research and development rebate	286,991	311,401	286,991	311,401
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CURRENT ASSETS – Other

Net GST Refundable	104,402	73,298	—	—
Other	5,161	2,152	5,161	2,152
	109,563	75,450	5,161	2,152

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NON-CURRENT ASSETS – Other Financial Assets

Investments - controlled entities

- At cost (Note 8(a))	—	—	6,695,912	6,695,912
- Recoverable amount write down	—	—	(3,090,390)	(2,200,000)
Total Investments – controlled entities	—	—	3,605,522	4,495,912

Investments – other entities

- At cost (Note 8(b))	475,496	475,496	—	—
- Recoverable amount write down	(475,496)	(475,496)	—	—
Total Investments – other entities	—	—	—	—

Receivables - controlled entities

- At cost (Note 8(c))	—	—	780,179	—
	—	—	4,385,701	4,495,912

In determining the recoverable amount of investments, the expected future cashflows associated with the investment, based on the projected dividend stream and value at expected sale date, have been discounted to their net present value using a discount rate of 10%.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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NON-CURRENT ASSETS – Other Financial Assets CONTINUED

(a) Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2005 %	2004 %
Controlled Entities				
Brightsun Investments Pty Ltd	Australia	Ordinary	100	100
VectoGen Pty Ltd	Australia	Ordinary	100	100
BioMimic Technologies Ltd	Australia	Ordinary	100	100

(b) Investments in Other Entities

Name of Entity	Principal Activities	Equity Holding		Carrying Value of Investment	
		2005 %	2004 %	2005 \$	2004 \$
Paragen Pty Ltd	Biological flea vaccine research	37.5	37.5	Nil	Nil

(c) Wholly-owned Group

Details of interests in wholly-owned controlled entities are set out at Note 8(a). Details of dealings with controlled entities are as follows:

Inter-company Account

Imugene provides working capital to its controlled entities. Transactions between Imugene and other controlled entities in the wholly owned Group during the year ended 30 June 2005 consisted of:

- (i) Working capital advanced by Imugene Limited;
- (ii) Provision of services by Imugene Limited, and
- (iii) Expenses paid by Imugene Limited on behalf of its controlled entities

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced by Imugene Limited.

At balance date amounts receivable from controlled entities totalled \$780,179 (2004: \$376,015).

(d) Ultimate Parent Company

The ultimate parent company in the wholly-owned Group is Imugene Limited, a company incorporated in Australia.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

9	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$
NON-CURRENT ASSETS – Property, Plant and Equipment				
Plant & equipment				
At cost	28,394	26,420	28,394	26,420
Accumulated depreciation	(17,367)	(11,103)	(17,367)	(11,103)
Total plant and equipment (Note 9(a))	11,027	15,317	11,027	15,317
Fixtures and Fittings				
At cost	4,184	3,675	4,184	3,675
Accumulated depreciation	(614)	(349)	(614)	(349)
Total fixtures and fittings (Note 9(a))	3,570	3,326	3,570	3,326
Total Written down value	14,597	18,643	14,597	18,643
(a) Reconciliations				
<i>Plant and Equipment</i>				
Carrying amount at beginning of year	15,317	15,449	15,317	15,449
Additions	1,974	7,173	1,974	7,173
Depreciation expense	(6,264)	(7,305)	(6,264)	(7,305)
Total plant & equipment	11,027	15,317	11,027	15,317
<i>Fixtures and Fittings</i>				
Carrying amount at beginning of year	3,326	3,596	3,326	3,596
Additions	515	—	515	—
Depreciation	(271)	(270)	(271)	(270)
Total fixtures and fittings	3,570	3,326	3,570	3,326

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

10	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$
NON-CURRENT ASSETS – Intangible assets				
Goodwill – at cost	5,117,095	5,117,095	—	—
Accumulated amortisation	(810,510)	(469,370)	—	—
	4,306,585	4,647,725	—	—

Amortisation expense charged during the year was \$341,140

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CURRENT LIABILITIES – Payables

Trade and other creditors (unsecured)	284,864	551,608	207,530	219,442
Income tax payable arising under tax sharing arrangements with subsidiaries in the tax consolidated group	—	—	—	292,817
PAYG / Superannuation Liability	77,766	—	77,766	28,483
	362,630	551,608	285,296	540,742

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CURRENT LIABILITIES – Provisions

Provision for annual leave (Note 16)	48,893	32,686	48,893	32,686
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Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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Consolidated		Imugene	
2005	2004	2005	2004
\$	\$	\$	\$

CONTRIBUTED EQUITY

(a) Issued and paid up capital:

130,579,564 (2004: 108,118,080) fully paid ordinary shares	13,180,042	8,164,842	13,180,042	8,164,842
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(b) Movements in ordinary share capital during the past two years were as follows:-

Date	Details	Ordinary Shares	Convertible Preference Shares	\$0.225 Performance Options	\$0.1125 Options	\$0.50 Listed Options	Executive Performance Options	Employee Performance Options Series 1	Employee Performance Options Series 2	Employee Performance Options Series 3	\$
	Note	Number 13(c)	Number	Number 13(d)&(f)	Number 13(d)	Number 13(d)&(e)	Number 13(d)&(g)	Number 13(d)&(h)	Number 13(d)&(h)	Number 13(d)&(h)	
01/07/03	Opening Balance	107,172,416	8,872	4,633,333	3,398,276	—	—	—	—	—	36,751,241
27/08/03	Option conversion (i)	303,457	—	—	(303,457)	—	—	—	—	—	34,139
08/10/03	Option conversion (ii)	333,333	—	—	(333,333)	—	—	—	—	—	37,500
27/11/03	Reduction of share capital (iii)	—	—	—	—	—	—	—	—	—	(28,690,419)
27/11/03	Option allotment (iv)	—	—	—	—	—	6,000,000	—	—	—	—
22/01/04	Option conversion (v)	66,667	—	—	(66,667)	—	—	—	—	—	7,500
23/03/04	Option conversion (vi)	66,668	—	—	(66,668)	—	—	—	—	—	7,500
24/06/04	Conversion of CPS (vii)	8,872	(8,872)	—	—	—	—	—	—	—	1,952
30/06/04	Option conversion (viii)	166,667	—	—	(166,667)	—	—	—	—	—	18,750
	Share issue costs (ix)	—	—	—	—	—	—	—	—	—	(3,321)
30/06/04	Closing Balance	108,118,080	—	4,633,333	2,461,484	—	6,000,000	—	—	—	8,164,842

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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CONTRIBUTED EQUITY CONTINUED

Date	Details		Ordinary Shares	Convertible Preference Shares	\$0.225 Performance Options	\$0.1125 Options	\$0.50 Listed Options	Executive Performance Options	Employee Performance Options Series 1	Employee Performance Options Series 2	Employee Performance Options Series 3	\$
	Note	Number 13(c)	Number 13(i)	Number 13(d)&(f)	Number 13(d)&(j)	Number 13(d)&(e)	Number 13(d)&(g)	Number 13(d)&(h)	Number 13(d)&(h)	Number 13(d)&(h)		
01/07/04	Opening Balance		108,118,080	—	4,633,333	2,461,484	—	6,000,000	—	—	—	8,164,842
02/09/04	Option conversion (x)	200,000	—	—	(200,000)	—	—	—	—	—	—	22,500
02/12/04	Share and Option Placement (xi)	13,475,000	—	—	—	2,695,000	—	—	—	—	—	3,368,750
22/12/04	Option conversion (xii)	2,261,484	—	—	(2,261,484)	—	—	—	—	—	—	254,417
20/01/04	Share and Option Placement (xiii)	6,525,000	—	—	—	1,305,000	—	—	—	—	—	1,631,250
	Share Issue Costs (xiv)	—	—	—	—	—	—	—	—	—	—	(261,717)
31/01/05	Option Allotment (xv)	—	—	—	—	—	—	200,000	200,000	1,000,000	—	—
24/02/05	Option Allotment (xvi)	—	—	—	—	250,000	—	—	—	—	—	—
30/06/05	Closing Balance		130,579,564	—	4,633,333	—	4,250,000	6,000,000	200,000	200,000	1,000,000	13,180,042

Notes.

- (i) Exercise of unlisted options at \$0.1125 per option.
- (ii) Exercise of unlisted options at \$0.1125 per option.
- (iii) Following shareholder approval, share capital was reduced by applying the amount of cancelled paid up capital of \$28,690,419 against carried forward accumulated losses (see Note 14).
- (iv) Issue and allotment of unlisted Executive Performance Options subject to vesting conditions to Graham Dowland, Warwick Lamb and Michael Sheppard (see Notes 13(d) and 13(g) for terms and conditions).
- (v) Exercise of unlisted options at \$0.1125 per option.
- (vi) Exercise of unlisted options at \$0.1125 per option.
- (vii) Converting Preference Shares (CPS) issued as part consideration for the acquisition of VectoGen Pty Ltd automatically converted into ordinary shares upon market capitalisation milestone not being met by 23 June 2004 (see Note 13(i) for terms and conditions).
- (viii) Exercise of unlisted options at \$0.1125 per option.
- (ix) Costs associated with the placement of fully paid ordinary shares on 27 June 2003.
- (x) Exercise of unlisted options at \$0.1125 per option.
- (xi) On 3 December 2004 the Company issued 13,475,000 ordinary shares and 2,695,000 free attaching Listed 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. The issue was subsequently approved and ratified by shareholders at a general meeting held on 11 January 2005 (see Notes 13(d) and 13(e) for terms and conditions of Listed Options).
- (xii) Exercise of unlisted options at \$0.1125 per option.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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CONTRIBUTED EQUITY CONTINUED

- (xiii) Second tranche of the share and option placement referred to in paragraph (xi) of this note
- (xiv) Costs associated with the first and second tranches of the placement referred to in paragraph (xi) of this note
- (xv) Allotment of unlisted options to employees (see Notes 13(d) and 13(h) for terms and conditions)
- (xvi) Allotment of Listed Options to employees (see Notes 13(d) and 13(e) for terms and conditions of Listed Options).

(c) Rights attaching to Shares

The rights attaching to fully paid ordinary shares ("Shares") arise from a combination of the Company's Constitution, statute and general law.

Shares issued following the exercise of options in accordance with Notes 13(d) – (j) will rank equally in all respects with the Company's existing Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules):

i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

ii) Transfer of Shares

The Company participates in the electronic share registration and transfer system known as CHESS operated by ASX under the Security Clearing House Business Rules. Accordingly, the Company will issue holding statements in lieu of share certificates. The Company will not charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of shares, or request SCH to apply a holding lock to prevent a proper SCH transfer, in the circumstances identified in the Constitution or as otherwise permitted or required under the Corporations Act 2001 or Listing Rules.

iii) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices.

A quorum for a meeting of members is 2 natural persons, each of whom is or represents different Shareholders who are eligible to vote.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

iv) Voting

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

v) Dividends

Subject to any rights attaching to shares that may in the future be issued with special or preferred rights, the Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to shares (such as preference shares), dividends will be paid proportionately to the number of shares held by each member. The Company is not required to pay any interest on dividends.

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CONTRIBUTED EQUITY CONTINUED

vi) Winding Up

If on a winding up of the Company there remains a surplus, then under the Constitution and subject to any rights attaching to shares which may in the future be issued with special or preferred rights, all assets representing the surplus that may be legally distributed among Shareholders shall be so distributed in proportion to the number of shares held by each Shareholder.

vii) Dividend Plans

The Company's Constitution contains a provision allowing directors to implement a dividend reinvestment plan and a dividend selection plan. It is not currently intended that either a dividend reinvestment, or dividend selection plan will be implemented.

viii) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ix) Share Buy-Backs

The Company may buy-back Shares in itself in accordance with the provisions of the Corporations Act 2001.

x) Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

(d) Terms and Conditions of Options

The following terms and conditions apply to all unexpired options granted by the Company as at 30 June 2005 :

- (i) each option entitles the holder, when exercised, to one (1) Share;
- (ii) the options are exercisable by delivering to the registered office or share register of the Company a notice in writing stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
- (iii) all shares issued upon exercise of the options will rank *pari passu* in all respects with the Company's then issued shares;
- (iv) there are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of options to shareholders during the currency of the options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, Option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;
- (v) in the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the options, all rights of the option holder will be varied in accordance with the ASX Listing Rules; and
- (vi) in the event the Company makes a pro rata issue of securities, the exercise price of the options may change in accordance with the formula set out in ASX Listing Rule 6.22.2.

Additional terms and conditions specific to the various classes of options granted the Company are disclosed in notes 13(e) – (j) below.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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CONTRIBUTED EQUITY CONTINUED

(e) Specific Terms and Conditions of Listed \$0.50 Options

In addition to the Terms and Conditions disclosed in note 13(d), the following specific terms and conditions apply to the 4,250,000 Listed Options which have been granted by the Company:

- (i) the options are exercisable at any time up to and including 31 January 2007;
- (ii) the exercise price of the options is 50 cents per option;
- (iii) the options are listed; and,
- (iv) subject to the Corporations Act 2001, the Constitution and the ASX Listing Rules, the options are fully transferable.

(f) Specific Terms and Conditions of \$0.225 Performance Options

In addition to the Terms and Conditions disclosed in note 13(d), the following specific terms and conditions apply to the 4,633,333 Performance Options granted by the Company:

- (i) The options are exercisable during the period from 1 December 2004 to 31 October 2007,
- (ii) The exercise price of the options is 22.5 cents per option; and,
- (iii) the options are unlisted.

(g) Terms and Conditions of Executive Performance Options

In addition to the Terms and Conditions disclosed in note 13(d), the following specific material terms and conditions apply to the 6,000,000 Executive Performance Options granted by the Company on 27 November 2003:

Holder	Tranche 1- No. of options vested on 31 December 2003 exercisable @ \$0.30	Tranche 2- No. of options vested on 1 July 2004 exercisable @ \$0.25	Tranche 3- No. of options vested on 1 July 2005 exercisable @ \$0.25	Total
Mr Graham Dowland	1,250,000	625,000	625,000	2,500,000
Dr Warwick Lamb	1,250,000	625,000	625,000	2,500,000
Dr Michael Sheppard	500,000	250,000	250,000	1,000,000
	3,000,000	1,500,000	1,500,000	6,000,000

- (i) the options are exercisable from the date of Vesting to 31 December 2006. The options vested as follows:
 - Tranche 1 (50%): 31 December 2003
 - Tranche 2 (25%): 1 July 2004
 - Tranche 3 (25%): 1 July 2005;
- (ii) the exercise price of the options is as follows:
 - Tranche 1 (50%) : 30 cents each;
 - Tranche 2 (25%): the market weighted average price of the Company's shares as traded on the ASX in the period 1 July 2003 to 30 June 2004 (determined to be \$0.25 each);
 - Tranche 3 (25%): the market weighted average price of the Company's shares as traded on the ASX in the period 1 July 2004 to 30 June 2005 (determined to be \$0.25 each);
- (iii) the options will be unlisted;

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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CONTRIBUTED EQUITY CONTINUED

- (iv) in the event that before a Vesting Date the employee's employment with the Company is terminated either:
 - (a) by the Company as a consequence of a negligent act by the employee involving the Company or the employee is convicted of a criminal offence; or
 - (b) by the employee by giving notice to the Company;the options that have not vested to the employee shall immediately expire; and,
- (v) in the event that the employee's employment is terminated due to incapacity or illness, he shall be entitled to exercise at any time prior to the expiry of the options, those options which, at the date of such termination, would have been able to have been exercised and the balance of the options shall immediately expire.

(h) Terms and Conditions of Employee Performance Options

In addition to the Terms and Conditions disclosed in note 13(d), the following specific material terms and conditions apply to the 1,400,000 Employee Performance Options granted by the Company on 31 January 2005:

- (i) Exercise prices, expiry dates and vesting dates are as follows:

Series	Number	Vesting Date	Expiry Date	Exercise Price
1	200,000	1 February 2005	31 December 2006	\$0.30 each
2	200,000	31 October 2005	31 October 2007	\$0.375 each
3	1,000,000	31 October 2006	31 October 2007	\$0.50 each
1,400,000				

The options are unlisted,

- (ii) in the event that before a Vesting Date the employee's employment with the Company is terminated either:
 - (a) by the Company as a consequence of a negligent act by the employee involving the Company or the employee is convicted of a criminal offence; or
 - (b) by the employee by giving notice to the Company;the options that have not vested to the employee shall immediately expire; and
- (iii) in the event that the employee's employment is terminated due to incapacity, illness or by the Company giving notice, the employee shall be entitled to exercise at any time prior to the expiry of the options, those options which, six months from the date of such termination, would have been able to have been exercised and the balance of the options shall immediately expire.

(i) Terms and Conditions of \$0.1125 Options

In addition to the Terms and Conditions disclosed in note 13(d), the following specific material terms and conditions applied to the \$0.1125 Options granted by the Company prior to their exercise during the financial year:

- (i) the options are exercisable at any time up to and including 31 December 2004;
- (ii) the exercise price of the options is 11.25 cents each;
- (iii) subject to the Corporations Act 2001, the Constitution and the ASX Listing Rules, the options are fully transferable.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$
ACCUMULATED LOSSES				
Balance at the beginning of the year	2,733,174	29,307,918	2,759,026	28,690,419
Reduction of share capital	—	(28,690,419)	—	(28,690,419)
Net loss from ordinary activities after income tax	1,794,208	2,115,675	1,768,356	2,759,026
Balance at the end of the year	4,527,382	2,733,174	4,527,382	2,759,026

(a) Franking Credits

In respect to the payment of dividends (if any) by Imugene in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

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OUTSIDE EQUITY INTEREST

Balance at the beginning of year	—	—	—	—
Adjustment for outside equity interest in controlled entity acquired during the year	—	585,578	—	—
Less share of operating loss	—	(699,060)	—	—
Adjustment on acquisition of outside equity interest by Imugene	—	113,482	—	—
Balance at end of year	—	—	—	—

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EMPLOYEE BENEFITS

Employee Benefits

The aggregate employee benefit liability is comprised of:

PAYG and Superannuation Liability (see Note 11)	77,766	—	77,766	—
Provisions – (current) (see Note 12)	48,893	32,686	48,893	32,686

	2005 Number	2004 Number
The number of full time equivalent people employed by the Consolidated Entity at balance date is:	5	4

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES

The directors of Imugene Limited during the year were:

Mr Graham Dowland (Executive Chairman)

Dr Warwick Lamb (Managing Director)

Mr Roger Steinepreis (Non-executive)

The executives of Imugene Limited with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the year were:

Dr Paul Macleman (Chief Operating Officer, appointed 1 November 2004)

Dr Michael Sheppard (Chief Scientific Officer)

Dr Colin Hort (Commercial Manager, resigned 28 October 2004)

Remuneration Policy

Executives

The objectives of the remuneration policy developed by the Board are to review the competitiveness of the Company's executive compensation programs to ensure the remuneration package properly reflects the executive officer's duties and responsibilities. The remuneration packages approved by the board include a fixed element and performance related bonus provisions. A bonus scheme was established in August 2003 for executive directors, which provides for a cash bonus payable half yearly dependent upon the average share price over that period.

The incorporation of specific, equity related components of executive remuneration are considered to be particular appropriate in the resulting alignment to shareholders' interests and capital management efficiencies.

The remuneration policy in regard to setting the terms and conditions for the executives of the Company has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. Where appropriate, executive directors' remuneration has been structured in conjunction with external remuneration consultants.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market conditions, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at General Meeting. Fees for non-executive directors are not linked to the performance of the Company, however to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

(a) Remuneration of Specified Directors and Specified Executives

		PRIMARY		Motor Vehicle benefit \$	POST EMPLOY- MENT	EQUITY	TOTAL ⁽¹⁾
		Salary & Fees \$	Bonus ⁽²⁾ \$		Super- annuation benefits \$	Value of Options ⁽³⁾ \$	\$
Specified Directors							
Mr Graham Dowland (Executive Chairman)	2005	139,000	125,000	—	36,000	51,481	351,481
	2004	139,000	100,000	—	36,000	266,019	541,019
Dr Warwick Lamb (Managing Director)	2005	142,673	125,000	17,877	14,450	51,481	351,481
	2004	160,550	100,000	—	15,998	266,019	542,567
Mr Roger Steinepreis (Non-Executive Director)	2005	25,000	—	—	—	—	25,000
	2004	25,000	—	—	—	—	25,000
Total Remuneration – Specified Directors	2005	306,673	250,000	17,877	50,450	102,962	727,962
	2004	324,550	200,000	—	51,998	532,038	1,108,586
Specified Executives ⁽⁴⁾							
<i>Current Executives</i>							
Dr Paul Macleman (Chief Operating Officer - appointed 1 Nov 2004)	2005	98,295	—	—	8,847	55,305	162,447
	2004	—	—	—	—	—	—
Dr Michael Sheppard (Chief Scientific Officer)	2005	146,789	—	—	13,211	34,192	194,192
	2004	131,243	—	—	11,812	106,407	249,462
<i>Former Executives</i>							
Dr Colin Hort (Commercial Manager - resigned 28 Oct 2004)	2005	25,229	—	—	2,271	4,173	31,673
	2004	100,917	—	—	8,293	—	109,210
Total Remuneration – Specified Executives	2005	270,313	—	—	24,329	70,358	365,000
	2004	232,160	—	—	20,105	106,407	358,672

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

Notes.

- (1) Other than as disclosed above, no remuneration was paid in the form of a long-term incentive bonus, non-monetary benefit, prescribed benefit or other benefit to a specified director or specified executive, during the financial year.
- (2) An independent review of the Executive Directors' remuneration was conducted in 2003, which indicated that the Executive Directors' 'fixed' remuneration was in the lowest 25% for the biotechnology industry, the Board implemented a cash bonus arrangement to supplement the Executive Directors' fixed salary. This bonus is based on the Company's share price and has been implemented for the period 1 July 2003 to 30 June 2005. The bonus, if any, is payable in January and July and is based on the Company's weighted average daily share price over a period of 30 consecutive business days during the previous 6 month period as detailed in the table below. The weighted average daily share price of the Company for the 6 month period prior to implementing the Bonus arrangement and hence the 'risky' component of the Executive Directors' remuneration (ie. the period 1 July 2002 to 30 June 2003) was \$0.124:

Simple average daily share price achieved over 30 consecutive business days during 6 month period	Cash Bonus \$
> \$0.15	10,000
> \$0.20	25,000
> \$0.25	50,000
> \$0.30	75,000
> \$0.40	150,000

The maximum bonus payable each year is limited to \$200,000 per Executive Director.

- (3) The fair value of the options granted to directors was independently calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. An equivalent valuation methodology was applied to options granted to other executives. See Note 13(d) and Notes 13(g) and 13(h) for terms and conditions of Executive Performance Options and Employee Performance Options respectively. The options granted subsequent to year-end to Mr Hort as part of his termination package have been included in the above calculation of remuneration, refer note 21 (b).
- (4) Other than as outlined above, there were no other executive officers of the Consolidated Entity during the year.
- (5) Salary, superannuation and bonuses paid to Mr Dowland were in accordance with his Executive Services Agreement of \$175,000 per annum (inclusive of superannuation) plus a bonus in accordance with (2). Equity based remuneration was granted on 27 November 2003 pursuant to shareholder approval at the Company's 2003 AGM.
- (6) Salary, superannuation and bonuses paid to Dr Lamb were in accordance with his Executive Services Agreement of \$175,000 per annum (inclusive of superannuation) plus a bonus in accordance with (2). Equity based remuneration was granted on 27 November 2003 pursuant to shareholder approval at the Company's 2003 AGM.
- (7) Salary, superannuation and bonuses paid to Dr Sheppard were in accordance with his Executive Services Agreement of \$160,000 per annum (inclusive of superannuation). Equity based remuneration granted in prior years was granted pursuant to shareholder approval at the Company's 2003 AGM.
- (8) Salary, superannuation and bonuses paid to Dr Macleman were in accordance with his Executive Services Agreement of \$163,500 per annum (inclusive of superannuation).

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

(b) Option holdings and Transactions

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows (see also note 13 for detailed terms and conditions):

Description	Grant Date	Number	Exercise Price	Expiry Date	Terms	Value per option at grant date	Vesting Date
Directors							
Executive Performance Options	27 Nov 2003	1,250,000	\$0.25	31 Dec 06	Note 13(d) & (g)	\$0.13	1 July 2004
Executive Performance Options	27 Nov 2003	1,250,000	\$0.25	31 Dec 06	Note 13(d) & (g)	\$0.13	1 July 2005
Specified Executives							
Executive Performance Options	27 Nov 2003	250,000	\$0.25	31 Dec 06	Note 13(d) & (g)	\$0.13	1 July 2005
Employee Performance Options	31 Jan 05	1,000,000	\$0.50	31 Oct 07	Note 13(d) & (h)	\$0.09	31 Oct 2007
Executive Performance Options	31 Jan 05	200,000	\$0.375	31 Oct 07	Note 13 (d) &(h)	\$0.12	31 Oct 2005
Executive Performance Options	31 Jan 05	200,000	\$0.30	31 Dec 06	Note 13 (d) &(h)	\$0.10	1 Feb 2005
Listed Options	24 Feb 05	250,000	\$0.50	31 Jan 07		\$0.08	On grant date
Employee Performance Options*	24 Aug 05	133,333	\$0.375	31 Oct 07	Note 13(d)	\$0.03	On grant date

* Options granted subsequent to year end but in relation to services prior to 30 June 2005 refer to note 21(b).

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

	Held at 1 July 2004	Granted as remuneration	Exercised during the year Note 1	Other changes during the year	Held at 30 June 2005	Vested and exercisable at 30 June 2005
Specified Directors						
Mr Graham Dowland	2,523,334	—	(23,334)	—	—	2,500,000
Dr Warwick Lamb	2,546,667	—	(46,667)	—	—	2,500,000
Mr Roger Steinepreis	1,060,741	—	(1,060,741)	—	—	—
Specified Executives						
Dr Paul Macleman	—	1,400,000	—	—	1,400,000	200,000
Dr Michael Sheppard	750,000	—	—	—	250,000	1,000,000
Dr Colin Hort	266,667	133,333	(133,334)	—	133,333	133,333

Note 1.

Options exercised during the year by Directors were granted to them in their capacity as shareholders, not as remuneration

Options exercised during the financial year

Fair value of consideration received is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of their issue is measured as the market value at close of trade on the date of their issue.

Consideration received on the exercise of equity-based remuneration is recognised in contributed equity. During the financial year \$15,000 (2004: \$15,000) was recognised in contributed equity arising from the exercise of equity-based remuneration.

Options exercised at \$0.1125 held by Mr Dowland, Dr Lamb and Mr Steinepreis were granted/acquired in their capacity as shareholders, not as equity based remuneration.

Options lapsed during the financial year

No equity based instruments issued to employees have lapsed during the financial year (2004:nil).

(c) Equity holdings and transactions

Ordinary fully paid shares	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Specified Directors					
Mr Graham Dowland	6,766,668	—	23,334	—	6,790,002
Dr Warwick Lamb	6,353,334	—	46,667	—	6,400,001
Mr Roger Steinepreis	3,202,937	—	1,060,741	—	4,263,678
Specified Executives					
Dr Paul Macleman	—	—	—	—	—
Dr Michael Sheppard	90,500	138,089	—	—	228,589

The amounts paid per ordinary share by each director and executive on the exercise of options was \$0.1125.

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Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

d) Other transactions

During the year, Steinepreis Paganin, a law firm of which Mr Roger Steinepreis is a partner, provided legal services to the Company. For the year ended 30 June 2005, the Company paid \$29,075 (2004: \$34,461) to Steinepreis Paganin and this has been recognised in the financial statements as an expense.

During the year, Vetspec Pty Ltd, a company of which Dr Warwick Lamb is a director and beneficial shareholder, provided a serviced office (in Sydney) and other administration services to the Company. For the year ended 30 June 2005, the Company paid \$36,000 (2004: \$36,000) to Vetspec Pty Ltd and this has been recognised in the financial statements as an expense.

e) Service agreements

Remuneration and other terms of employment for the Chairman, Managing Director and the specified executives are formalised in service agreements. These agreements provide for one or more of the following: The provision of performance-related cash bonuses, grant of options or other benefits such as car allowances. Other major provisions of the agreements relating to remunerations are set out below:

All contracts with executives may be terminated by either party with varying notice periods, subject to termination payments as detailed below.

Mr Graham Dowland, *Executive Chairman*

- Term of agreement – indefinite
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$175,000, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary for twelve months

Mr Warwick Lamb, *Managing Director*

- Term of agreement – indefinite
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$175,000, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary for twelve months

Dr Paul Macleman, *Chief Operating Officer*

- Term of agreement – indefinite
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$163,500, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary and benefits for six months

Dr Michael Sheppard, *Chief Scientific Officer*

- Term of agreement – From 23 February 2005 to 22 February 2006
- Base salary, inclusive of superannuation for the year ended 30 June 2005 of \$160,000, to be reviewed annually by the board
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to base salary and benefits for the remainder of the contract term.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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	Consolidated		Imugene	
	2005 \$	2004 \$	2005 \$	2004 \$
REMUNERATION OF AUDITORS				
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
- an audit or review of the financial reports of the entity and any other entity in the Consolidated Entity	25,000	19,500	25,000	19,500
- other services in relation to the entity and any other entity in the Consolidated Entity	—	—	—	—
Total Auditors' Remuneration	25,000	19,500	25,000	19,500

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SEGMENT INFORMATION

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

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STATEMENT OF CASH FLOWS

(a) Reconciliation of Loss from Ordinary Activities After Related Income Tax Benefit to Net Cash Outflow from Operating Activities

Net loss from Ordinary Activities After Related Income Tax Benefit	(1,794,208)	(2,115,675)	(1,768,356)	(2,759,026)
Depreciation and amortisation	347,673	348,594	6,533	7,575
Provision for employee entitlements	16,207	22,422	16,207	22,422
Writedown to recoverable amount of research and development investments	—	475,496	890,390	2,200,000
(Increase)/decrease in other assets	(9,704)	(341,924)	21,401	(548,336)
(Increase)/decrease in receivables	—	—	(4,257)	(442,762)
(Decrease)/increase in payables	(188,976)	92,085	(255,447)	268,948
Net cash outflow from operating activities	1,629,008	(1,519,002)	(1,093,529)	(1,251,179)

(b) Reconciliation of Cash Assets

Cash at bank and on hand	4,346,447	962,743	4,294,399	775,121
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(c) Credit Standby Arrangements with Banks

At balance date, the Consolidated Entity had no used or unused financing facilities.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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Consolidated
2005 2004
\$ \$

EARNINGS PER SHARE

The following reflects the earnings and weighted average number of ordinary and potential ordinary shares used in the calculations of basic and diluted earnings per share:

Loss	(1,794,208)	(2,115,675)
	Number of Shares 2005	Number of Shares 2004
Weighted average number of ordinary and potential ordinary shares used in calculating basic earnings per share	120,115,733	107,719,949
Effect of dilutive securities (see Note 21(a))	—	—
Adjusted weighted average number of ordinary and potential ordinary shares used in calculating diluted earnings per share	120,115,733	107,719,949

(a) Non dilutive securities

The following potential ordinary shares are not dilutive as they would decrease the loss per share and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	Number of securities 2005	Number of securities 2004	Number of potential shares 2005	Number of potential shares 2004
Options – 11.25 cents exercise price (Notes 13(d)&(j))	2,461,485	2,461,485	2,461,485	2,461,485
Options – 22.5 cents exercise price (Notes 13(d)&(f))	4,633,333	4,633,333	4,633,333	4,633,333
Options – 50 cents exercise price (Notes 13 (d)&(e))	4,250,000	—	4,250,000	—
Executive Performance Options (Notes 13 (d)&(g))				
- vested – exercisable @ \$0.30	3,000,000	3,000,000	3,000,000	3,000,000
- vested 1 July 2004 – exercisable @ \$0.25	1,500,000	1,500,000	1,500,000	1,500,000
- vested 1 July 2005 – exercisable @ \$0.25	1,500,000	1,500,000	1,500,000	1,500,000

(b) Conversions, calls, subscriptions or issues after 30 June 2005

On 24 August 2005 the Company granted the following options to current and former employees (not directors) of the company:

	No of Options	Exercise Price	Vesting Date	Expiry Date
Current Employees				
Series 4	200,000	\$0.50	31 October 2005	31 December 2006
Series 5	50,000	\$0.30	31 October 2006	31 October 2007
Former Employees ⁽¹⁾	133,333	\$0.375	On grant date	31 October 2007

(1) Granted under the terms of a termination package. The value of these options has been calculated as \$4,173 and this figure has been included in the calculation of specified officers remuneration during the year.

Other than as disclosed above, there have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest Rate Risk Exposure

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Note	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest 1 year or Less	Fixed Interest Maturing From 1 to 5 Years	Non- Interest Bearing	Total
			\$	\$	\$	\$	\$
2005							
Financial Assets							
Cash and deposits	20	5.5%	4,346,447	—	—	—	4,346,447
Tax assets	6		—	—	—	286,991	286,991
Other	7		—	—	—	109,563	109,563
Total Financial Assets			4,346,447	—	—	396,554	4,743,001
Financial Liabilities							
Payables	11		—	—	—	362,632	362,632
Total Financial Liabilities			—	—	—	362,632	362,632
Net Financial Assets/(Liabilities)			4,346,447	—	—	33,922	4,380,389
2004							
Financial Assets							
Cash and deposits	20	4.9%	962,743	—	—	—	962,743
Tax assets	6		—	—	—	311,401	311,401
Other	7		—	—	—	75,450	75,450
Other financial assets	8		—	—	—	—	—
Total Financial Assets			962,743	—	—	386,851	1,349,594
Financial Liabilities							
Payables	11		—	—	—	551,608	551,608
Total Financial Liabilities			—	—	—	551,608	551,608
Net Financial Assets/(Liabilities)			962,743	—	—	(164,757)	797,986

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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FINANCIAL INSTRUMENTS CONTINUED

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices and approximates carrying value.

(d) Credit Risk Exposure

The credit risk on financial assets of the Consolidated Entity which have been recognised on the statement of financial position is generally the carrying amount. The Consolidated Entity does not have off-balance sheet financial instruments.

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Consolidated		Imugene	
2005	2004	2005	2004
\$	\$	\$	\$

COMMITMENTS FOR EXPENDITURE

(a) Research and Development

Not longer than 1 year	260,000	—	260,000	—
Longer than 1 year and not longer than 5 years	—	—	—	—
Longer than 5 years	—	—	—	—
	260,000	—	260,000	—

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SUBSEQUENT EVENTS

No event has arisen since 30 June 2005 that would be likely to 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 financial report.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to AIFRS. The Company allocated internal resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the Company's transition date to AIFRS. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable material impacts on the financial report for the year ended 30 June 2005 had it been prepared under AIFRS are set out below. The expected material financial effects of adopting AIFRS are shown for significant aggregates in the statement of financial performance and statement of financial position, with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and IASB. Therefore until the Company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted. The directors may at any time until the completion of the consolidated entity's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the proforma financial statements.

The following proforma financial statements and the related explanatory notes are designed to illustrate and explain the effect of the transition to AIFRS on material financial statement items presented in the AGAAP financial statements. The following proforma financial statements have not been prepared in accordance with presentation requirements of AASB 101 Presentation of Financial Statements.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Proforma Statement of Financial Position as at 30 June 2005

	Consolidated				Imugene			
	AGAAP	Adjustments		AIFRS	AGAAP	Adjustments		AIFRS
		(a)	(b)			(a)	(b)	
Current Assets								
Cash assets	4,346,447	—	—	4,346,447	4,294,399	—	—	4,294,399
Tax assets	286,991	—	—	286,991	286,991	—	—	286,991
Other	109,563	—	—	109,563	5,161	—	—	5,161
	4,743,001	—	—	4,743,001	4,586,551	—	—	4,586,551
Non-current Assets								
Other financial assets	—	—	—	—	4,385,701	—	—	4,385,701
Property, plant and equipment	14,597	—	—	14,597	14,597	—	—	14,597
Intangible assets	4,306,585	—	341,140	4,647,725	—	—	—	—
	4,321,182	—	341,140	4,662,322	4,400,298	—	—	4,400,298
Total Assets	9,064,183	—	341,140	9,405,323	8,986,849	—	—	8,986,849
Current Liabilities								
Payables	(362,630)	—	—	(362,630)	(285,296)	—	—	(285,296)
Provisions	(48,893)	—	—	(48,893)	(48,893)	—	—	(48,893)
	(411,523)	—	—	(411,523)	(334,189)	—	—	(334,189)
Total Liabilities	(411,523)	—	—	(411,523)	(334,189)	—	—	(334,189)
Net Assets	8,652,660	—	341,140	8,993,800	8,652,660	—	—	8,652,660
Equity								
Contributed Equity	13,180,042	—	—	13,180,042	13,180,042	—	—	13,180,042
Reserves	—	113,405	—	113,405	—	113,405	—	113,405
Accumulated Losses	(4,527,382)	(113,405)	341,140	(4,299,647)	(4,527,382)	(113,405)	—	(4,640,787)
Total Equity	8,652,660	—	341,140	8,993,800	8,652,660	—	—	8,652,660

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Proforma Statement of Financial Performance for the year ended 30 June 2005

	Consolidated				Imugene			
	AGAAP	Adjustments		AIFRS	AGAAP	Adjustments		AIFRS
		(a)	(b)			(a)	(b)	
Loss from ordinary activities before income tax revenue	(2,116,968)	(113,405)	341,140	(1,889,233)	(2,036,764)	(113,405)	—	(2,150,169)
Income tax benefit relating to ordinary activities	322,760	—	—	322,760	268,408	—	—	268,408
Loss from ordinary activities after income tax revenue	(1,794,208)	(113,405)	341,140	(1,566,473)	(1,768,356)	(113,405)	—	(1,881,761)
Net Loss attributable to outside equity interests	—	—	—	—	—	—	—	—
Loss attributable to members of Imugene Limited	(1,794,208)	(113,405)	341,140	(1,566,473)	(1,768,356)	(113,405)	—	(1,881,761)
Total expenses attributable to members of Imugene Limited recognised directly in equity								
Share Issue Costs	(261,717)	—	—	(261,717)	(261,717)	—	—	(261,717)
Total Changes in equity other than those resulting from transactions with owners as owners attributable to members of Imugene Limited	(2,055,925)	(113,405)	341,140	(1,828,190)	(2,030,073)	(113,405)	—	(2,143,478)

(a) Equity-based payments

The Group currently does not recognise an expense for options issued to directors and staff. Under AASB 2 "Share Based Payments", the Company will be 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.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained losses at 30 June 2005 would have been increased by \$113,405 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 would have been \$113,405 higher, with a corresponding increase in the net movement in the share-based payment reserve.

Notes to and forming part of the Financial Statements

for the financial year ended 30 June 2005

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IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

(b) Goodwill

Under AASB 3 "Business Combinations" amortisation of goodwill will be prohibited and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the existing accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 15 years.

If the policy required by AASB 3 had been applied during the year ended 30 June 2005, consolidated goodwill at 30 June 2005 would have been \$341,140 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been \$341,140 lower. There would have been no impact on the parent entity's financial statements.

(c) Income Tax

The Consolidated Entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under AIFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. Because AIFRS has a wider scope than the Consolidated Entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. The likely impact of these changes on deferred tax balances has not currently been determined.

The Consolidated Entity also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under AGAAP (see Note 4(b)). Under AIFRS, the criteria for recognition of carried forward losses is 'probable' as compared to the current 'virtually certain' test. The consolidated entity has not recognised these losses as an asset under AIFRS as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in Australia.

Tax consolidation

UIG Interpretation 1052 'Tax Consolidation Accounting' mandates a significantly different manner of accounting for income taxes in tax-consolidated group compared to the present Australian requirements (refer note 1(o) and note 5). The approved Interpretation is applicable for financial years ending on or after 31 December 2005, and requires that each entity in the tax-consolidated group recognise deferred tax assets (other than unused tax losses and unused tax credits) and deferred tax liabilities relating to its own balances. We have not quantified the impact, if any, of the above in the proforma financial statements.

Accordingly, deferred tax assets and liabilities attributable to members of the tax-consolidated group other than the head entity presently recognised as at 30 June 2005 would be derecognised under AIFRS. Differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding arrangement are to be treated as a contribution by (or distribution to) equity participants.

(d) Financial Instruments

The consolidated entity will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Recognition and Measurement only from July 2005. This allows the consolidated entity to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements.

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ADDITIONAL COMPANY INFORMATION

Imugene Limited is a listed public company, incorporated and operating in Australia.

Registered Office

Level 1
14-20 Delhi road
North Ryde
NSW 2113
Australia

Principal place of business

Level 1
14-20 Delhi road
North Ryde
NSW 2113
Australia

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (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, and;
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

In the directors' opinion, there are reasonable grounds to believe that the company and the consolidated entity will, as a group, be able to meet any obligations or liabilities to which they are subject.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.



GRAHAM DOWLAND
Executive Chairman

Perth, 13 September 2005

Independent Audit Report

to the members of Imugene Limited

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Imugene Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 27 to 60. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting 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.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Imugene Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Peter McIver
Peter McIver
Partner
Chartered Accountants

Perth, 13 September 2005

Additional Information

The shareholder information set out below was applicable as at 16 September 2005.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
Queensland Investment Corporation	7,497,997	5.74
Dr Warwick Lamb	6,150,001	4.71
Mrs Treffina Dowland	4,830,001	3.70
Merrill Lynch (Australia) Nominees Ltd	4,055,512	3.11
Blueknight Corporation Pty Ltd	3,202,937	2.45
Mcrae Investments Pty Ltd	2,471,666	1.89
Techstart Australia Pty Ltd	2,387,738	1.83
Walker Corporation Pty Ltd	2,300,000	1.76
Eurasia Pty Ltd	1,666,667	1.28
Lost Ark Nominees Pty Ltd	1,499,479	1.15
ANZ Nominees Ltd	1,395,870	1.07
MHGD Pty Ltd	1,290,000	0.99
Greenfield Company Ltd	1,200,000	0.92
Lost Ark Nominees Pty Ltd <MYA Super A/C>	1,100,000	0.84
Blueknight Corporation Pty Ltd	1,060,741	0.81
Lost Ark Nominees Pty Ltd	1,060,741	0.81
Springtide Capital Pty Ltd	1,050,000	0.80
Darley Pty Ltd	1,000,000	0.77
Donwillow Pty Ltd	1,000,000	0.77
Rollason Pty Ltd	1,000,000	0.77
Total Top 20	47,219,350	36.17
Others	83,360,214	63.83
Total Ordinary Shares on Issue	130,579,564	100.00

Additional Information

2. TWENTY LARGEST OPTIONHOLDERS

Listed Options as at 16 September 2005

Name	No. of Listed Options Held	Percentage of Issued listed Options
Queensland Investment Corporation	739,000	17.39
Cogent Nominees Pty Ltd	475,396	11.19
Westpac Custodian Nominees Ltd	375,070	8.83
JP Morgan Nominees Australia Ltd	333,534	7.85
Lost Ark Nominees Pty Ltd	250,000	5.88
Dr Michael Sheppard	250,000	5.88
Merrill Lynch (Australia) Nominees Ltd	205,000	4.82
Goffacan Pty Ltd	137,000	3.22
Tricom Nominees Pty Ltd	100,000	2.35
Cogent Nominees Pty Ltd	98,000	2.31
Asia Union Investments Pty Ltd	95,000	2.24
Equity Trustees Ltd	95,000	2.24
Walker Corporation Pty Ltd	80,000	1.88
Droga Capital Pty Ltd	76,000	1.79
Fortis Clearing Nominees Pty Ltd	52,000	1.22
ANZ Nominees Pty Ltd	50,000	1.18
Lost Ark Nominees Pty Ltd	50,000	1.18
Rollason Pty Ltd	50,000	1.18
Clodene Pty Ltd	40,000	0.94
Elinora Investments Pty Ltd	40,000	0.94
Total Top 20	3,591,000	84.51
Others	659,000	15.49
Total Option Holders	4,250,000	100.00

Additional Information

3. DISTRIBUTION OF EQUITY SECURITIES

(a) Analysis of security by size of holding – number of security holders

	Ordinary Shares	Listed Options
1 – 1,000	693	0
1,001 – 5,000	448	0
5,001 – 10,000	527	7
10,001 – 100,000	829	35
100,001 – and over	142	7
	2,639	49

(b) Analysis of security by size of holding – number of securities held

	Ordinary Shares	Listed Options
1 – 1,000	201,552	0
1,001 – 5,000	1,497,786	0
5,001 – 10,000	4,025,120	60,600
10,001 – 100,000	28,462,613	1,286,400
100,001 – and over	73,931,009	2,903,000
	108,118,080	4,250,000

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4. SUBSTANTIAL SHAREHOLDERS

The following details appear in the company's register as at 30 August 2005:

Substantial Shareholder	Ordinary Shares
Mrs Treffina Dowland	6,790,002
Queensland Investment Corporation	7,497,997

5. UNQUOTED SECURITIES

The names of the holders holding more than 20% of each class of unlisted securities are listed below:

Performance Options – Exercise Price of \$0.225 and Expiry Date of 31 October 2007

Lost Ark Nominees Pty Ltd <D1 A/C>	1,079,851
11 other holders (each less than 20% holding)	3,553,482
Total	4,633,333

6. VOTING RIGHTS

See Note 13 of the Notes to the Financial Statements.

7. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Imugene's listed securities.



IMUGENE

LIMITED



IMUGENE

LIMITED

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