



27 July 2005

**Quarterly Report
April- June 2005**

Dear Shareholders

Product development over the past quarter has focussed on our most advanced product, the proven *Poultry Productivity Enhancer*.

We have advanced our key commercial objectives:

- Significantly improved production scale-up processes to better suit internationally approved commercial production methods
- Establishing the source of approved material for use in final regulatory trials and commercial release
- Finalising the global sub-license arrangements for the product
- Planning the development path of the product under the sub-license arrangements
- Progressing the dossier for Office of the Gene Technology Regulator (OGTR) approvals for commercial product release

During the last quarter promising advances were made to improve the commercial production processes for the *Poultry Productivity Enhancer*. The new production process is better suited to large scale production and is compatible with production methodology currently used by multinational animal health companies.

Preparations are underway for initial production of product material for registration in the major global markets. A final optimisation step is required before production of initial batches commences. We expect this material to be available for the upcoming intentional release trials. The timing of these trials depends on regulatory approval timing of the OGTR.

Our application for the 'Intentional release license' from the Commonwealth Government's OGTR has advanced. This license is a precursor to large commercial field trials and commercial sales of the *Poultry Productivity Enhancer* in Australia. While regulatory trials can proceed without this license, Imugene has identified significant marketing value in obtaining this license early to enable trials to be undertaken by commercial poultry producers to boost the products marketing value. Importantly, the product development timetable is proceeding while the OGTR considers the terms of the license.

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Imugene is now in the final stages of responding to the OGTR review. Once Imugene's response is submitted, the OGTR will conduct a final review and release its assessment decision.

A series of field trials with the *Poultry Productivity Enhancer* will be performed under typical commercial poultry shed conditions. The results will be the basis for marketing the product's superior efficacy to commercial poultry farmers worldwide. It is anticipated these trials will begin immediately following receipt of the OGTR license.

Sub-licensing negotiations for the *Poultry Productivity Enhancer* advanced towards completion during the quarter. Much has been achieved in finalising a detailed product development plan for the sub-license to minimise time to commercial release and streamline the global rollout. These negotiations have added essential detail to the principal terms agreed within the Option Agreement signed in 2002. Planning is well into product development issues including managing manufacturing and regulatory trial schedules.

Bird Flu Vaccine

Our new *Bird Flu* trial vaccine under development is being evaluated to optimise the dose, administration timing and method. This work is being performed at contracted laboratories in Victoria. Once these evaluations have been completed our vaccine will be tested in the high security area of CSIRO's animal health centre. CSIRO has indicated that its trial scheduling should have these trials completed during calendar year 2005.

The *Bird Flu* vaccine remains a high priority for Imugene, particularly given the catastrophic potential and warnings of imminence by organisations such as the World Health Organisation. An effective vaccine for poultry will have substantial global commercial potential and Imugene is determined to capture that market.

Pig Vaccines

Imugene's other priority adenoviral delivery system products are the pig vaccine being developed under contract for Merial and the Porcine Reproductive and Respiratory Syndrome (PRRS) vaccine. Both are in the final stages of purification and in-house batch confirmation prior to international shipping for evaluation trials by major animal health companies. At Imugene's insistence, license negotiations will be deferred to follow the completion of these trials to maximise the value of the licenses.

As neither of the diseases targeted by the two vaccines yet occur in Australia (despite being the two most damaging diseases in commercial piggeries in the USA and Europe) Imugene's objective is to sub-license these vaccines with major international animal health companies.

2005 Milestones

Our previously stated key milestones for 2005, as listed below, remain unchanged as the priority focus for management.

- Continue the development, regulatory trials and dossier preparation for the lead products – the priority product is the *Poultry Productivity Enhancer*
- Settlement of sub-license arrangements for the *Poultry Productivity Enhancer*
- Efficacy, dose and administration timing trials of the *Bird Flu* vaccine
- External evaluation by major animal health companies for the two pig vaccines prior to entering into sub-license negotiations
- Continue development of the Receptor Mimic Technology products, the objective being to turn the laboratory potential into a range of commercially viable products

Corporate

At year end the Company's cash reserves totalled \$4.3 million after net operating cash outflows for the 12 months of \$1.6 million, representing a historical 'burn rate' of approximately \$136,000 per month (20% under budget for the financial year ended 30 June 2005). The revised burn rate for the next twelve months is budgeted to average \$185,000 per month.

Yours sincerely

Graham Dowland
Chairman

ABOUT IMUGENE:

Imugene is commercialising animal health products for production animals including pigs, poultry and cattle.

Imugene's products safely prevent disease and reduce or eliminate antibiotics and harmful chemicals in animals. Animal antibiotics and chemicals in the human food chain have been linked to the emergence of dangerous resistant bacteria in people and food residues.

The **Adenoviral Vector Delivery System** is patented throughout the major territories of the world for use in pigs and poultry. This platform vaccine delivery system delivers Imugene's highly effective *poultry productivity enhancer* as well as other vaccines against diseases that affect the pig and poultry industries. The **Receptor Mimic Technology** is a biological platform technology under development for gastrointestinal diseases of pigs and potentially all other animal species.

Imugene's poultry and pig portfolio is targeting a worldwide US\$3 billion annual market and replace existing chemical and antibiotic products. Consumer demands for residue free food and health regulatory pressures will bolster Imugene's prospects.

Visit the Imugene Website: www.imugene.com

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

IMUGENE LIMITED

ABN

99 009 179 551

Quarter ended ("current quarter")

30 June 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(106)	(571)
(b) advertising and marketing	-	(34)
(c) research and development	(265)	(995)
(d) leased assets	-	-
(e) other working capital	(167)	(765)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	59	137
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
- Research & Development Rebate	347	347
- Government Grants	98	254
Net operating cash flows	(34)	(1,627)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(34)	(1,627)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1)	(3)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	(4)
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(1)	(7)
1.14 Total operating and investing cash flows	(35)	(1,634)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	5,277
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)		
- capital raising expenses	-	(260)
Net financing cash flows	-	5,017
Net increase (decrease) in cash held	(35)	3,383
1.21 Cash at beginning of quarter/year to date	4,381	963
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	4,346	4,346

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	94
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

- | |
|--|
| <ul style="list-style-type: none"> (i) Executive salaries and superannuation entitlements (ii) Reimbursement of expenses; (iii) Provision of Legal services; and (iv) Non-executive directors fees |
|--|

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	N/A
3.2	Credit standby arrangements	Nil	N/A

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	627	211
4.2 Deposits at call	3,719	4,170
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4,346	4,381

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~* (~~delete one~~) give a true and fair view of the matters disclosed.

Sign here: Date: 27 July 2005
 Company Secretary

Print name: ALEX NEULING

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.