

SHAREHOLDER UPDATE 31 JULY 2006

Dear Shareholder,

Imugene has today released its cashflow report for the quarter ended 30 June 2006.

Key cashflow information:

- Net operating cash outflow for the quarter of \$406,000
- Net operating cash outflow for the full financial year to 30 June 2006 of \$1.64m, an average 'burn rate' of \$137,000 per month
- Cash at bank at 30 June 2006 of \$2.7m

Review of Operations

Several major advances have recently been made by Imugene – all relating to the pig and poultry adenoviral vector delivery systems, our leading platform technologies.

- Completion of an Australian safety trial for the lead poultry product, the *Poultry Productivity Enhancer*. This product, under worldwide sublicense to Merial, continues on track for commercial release.
- Successful resolution of the Pig Patent Interference in the US resulting in a stronger IP position and on financial terms that are either equal or better than previously.
- Granting of the European patent for Imugene's poultry platform technology. Imugene now has been granted Poultry patents in both the major commercial poultry producing regions of Europe and the US.
- Significantly increased rate of scientific progress at Imugene's newly established research laboratory at La Trobe University. The research priorities at La Trobe are Avian Influenza vaccines and the poultry Coccidiosis vaccine.

Poultry Productivity Enhancer (PPE)

The PPE, Imugene's most advanced product, improves bird health by boosting the bird's immune system to prevent diseases. This results in greater weight gains, improved feed conversion and other producer efficiencies.

The product is designed for all producers of broiler (meat) chickens. Following extensive efficacy trialing up to 2004, Imugene granted an exclusive world-wide sub-licence for this product to Merial Limited in 2005. One of the world's largest animal health products companies, Merial is finalising development & regulatory approvals to market and distribute the vaccine throughout the world.

Recently, the PPE achieved a significant step towards commercial release with the completion of the Office of Gene Technology Regulator (OGTR) required safety trial. The trial results re-confirmed this product's safety with all the regulatory trial design endpoints being easily satisfied.

The trial was undertaken to document certain product safety parameters to enable additional Australian regulatory approvals from the OGTR and Australian Pesticides & Veterinary Medicines Association (APVMA).

Due to an additional OGTR request Imugene will conduct one further safety trial to document the vaccine does not infect pigeons. This short trial has recently received Ethics Committee approval and will be conducted under contract in Victoria.

Imugene is now preparing the final submission dossier to the OGTR for a final licence for full commercial release of the PPE in Australia.

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Further approvals from the APVMA will be required to allow product sales in Australia. These regulatory approvals focus on the product claims and manufacturing processes. When these approvals are obtained, the Poultry Productivity Enhancer can be sold to commercial growers

The safety trial results have been forwarded to Merial.

Research Laboratory – La Trobe University

Imugene is pleased to report that the Company controlled laboratory within La Trobe University has successfully operated for over 4 months.

The priority research programs are:

1. Development of two Avian Influenza vaccines. One is for Broilers for fast and short term immunity; and the other for Breeder/Layer chickens for longer lasting immunity.
2. Development of initial trial vaccine candidates for the poultry Coccidiosis market. Abic Biological Laboratories Teva Ltd is the owner of the Coccidia genetic material and contracted Imugene to develop trial vaccines using our platform delivery technology. The two vaccine constructs using the two different genes are being developed at La Trobe University. The initial candidates will be forwarded for trialling at the University of Technology, Sydney.

Avian Influenza Vaccine (Bird Flu)

The development of the two Avian Influenza vaccine candidates has entered the final stages. Both vaccine candidates have been developed by Dr Mike Sheppard at the Imugene laboratory at La Trobe University. The vaccine candidates are under final laboratory testing to ensure they fulfill our strict criteria before entering bird trials. Planning has commenced for these trials.

Imugene is particularly pleased with the rapid progress achieved since moving this development to our own laboratory.

Coccidiosis Vaccine for Poultry

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

Imugene has received the two patented Coccidia genes owned by Abic. These have now been inserted into Imugene's patented Adenoviral Vector Delivery System to produce a range of vaccine candidates.

These vaccine candidates are anticipated to be completed ready for Abic in the third quarter of calendar 2006. The vaccine candidates will be trialed by Abic at the University of Technology Sydney.

Coccidia prevention and treatment is the second biggest poultry health product category, second only to in-feed antibiotics.

A 'non-vectored' sub-unit Coccidia vaccine based on the Abic owned genes is currently sold by Abic for the poultry broiler breeder markets. This vaccine is used for the maternal immunisation of their offspring chicks in various countries. Imugene's Vector Delivery System has the potential to allow a successful vaccine to be introduced to the much larger broiler markets by making the vaccine suitable and cost effective for administration to broiler sheds on large scales.

The end product will be an overwhelming commercial proposition to poultry producers because of its low cost of delivery to large poultry populations.

Current treatments for the disease in broilers is through the use of 'Coccidiostats', a range of chemicals that control rather than completely prevent Coccidiosis. Current Coccidiostats are rapidly declining in efficacy due to developing resistance.

Use of Coccidiostats is under increasing pressure from regulatory authorities and consumers. Chemical residues are of concern as is the constant emergence of resistant variants.

PAV Vaccine (pig disease)

The vaccine constructs for several pig diseases are commercially progressing. Preparatory work is being undertaken at Imugene's La Trobe laboratory.

The majority of the laboratory work over the next few weeks will be to finalise the Avian Influenza vaccine candidates. However the full pig vaccine product development program will follow.

The global commercial development of the pig vaccine range was delayed by the Patent Interference process in the US. This made it difficult to advance commercial arrangements. This certainty has now been restored in Imugene's favour with the successful resolution of the PAV patent interference in the US.

Accordingly, negotiations for further evaluation of the pig vaccine products overseas has re-commenced with good progress to date.

Intellectual Property – Patent update

Fowl Adenoviral Vector (FAV) Patent application – Europe

In July, the Europe Patents Office granted Imugene the remaining international FAV patent yet to be granted.

Imugene now has patent protection for the *Fowl Adenoviral Delivery Vector* in both Europe and the US, in addition to other important poultry producing jurisdictions. The granting of this key patent is very significant as Europe and the US are the world's biggest volume and value markets for Imugene's poultry products.

Porcine Adenoviral Vector (PAV) Patent application – US

The PAV patent application in the US has for the past 6 months undergone a process known as an 'Interference Hearing'. This process, managed by the US Patent Office, occurs in certain situations when there are two filed independent patents that have one or more claims that are similar.

Imugene has now secured a favourable resolution to the PAV patent interference process in the US. Agreement between the parties has been achieved. Imugene now owns both parties' intellectual property in the US and this allows Imugene to control and finalise the resolution with the US patent judge.

The resolution will proceed with an application to the US Patent Office for the re-issue of the existing patent and the issue of the interfering patent application to Imugene. The result will be that the subject matter of the two patents that led to the interference will be removed from one patent and retained in only one of the patents. As Imugene now owns both patents in the US, the resolution reinforces Imugene's exclusive rights. The completion process is now under the control of Imugene and our US patent attorneys.

Although the terms of the agreements are confidential, Imugene can confirm that the agreed adjusted financial arrangements are equivalent to, or better than the previous license arrangements.

Imugene is now contemplating scientific collaborations with the previous owner of the other patent. This entity is a group with significant international experience in the PAV market.

About Imugene

Imugene specialises in commercialising animal health products for production animals including pigs and poultry.

Imugene owns the worldwide rights to the *Fowl Adenoviral Vector Delivery System* for poultry and the *Porcine Adenoviral Vector Delivery System* for pigs. Imugene has successfully licensed the first product based on the *Fowl Adenoviral Vector Delivery System* – the *Poultry Productivity Enhancer*.

Imugene's poultry and pig portfolio is targeting a worldwide US\$3 billion annual market with four lead vaccine products under development and a strong product pipeline. Consumer demands for disease free and residue free food will bolster Imugene's prospects.

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

For more information please visit the Imugene Website www.imugene.com

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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 2006

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	(131)	(580)
(b) advertising and marketing	-	-
(c) research and development	(129)	(689)
(d) leased assets	-	-
(e) other working capital	(199)	(736)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	40	189
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	13	176
Net operating cash flows	(406)	(1,640)

+ See chapter 19 for defined terms.

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

	Curent quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(406)	(1,640)
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	(8)	(8)
(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	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	(2)	(1)
Net investing cash flows	(10)	(9)
1.14 Total operating and investing cash flows	(416)	(1,649)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
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)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(416)	(1,649)
1.21 Cash at beginning of quarter/year to date	3,113	4,346
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	2,697	2,697

+ 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	(138)
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 (i) Executive salaries, bonuses, consulting fees 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	697	563
4.2 Deposits at call	2,000	2,550
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,697	3,113

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 ~~does not~~ give a true and fair view of the matters disclosed.

Sign here: Date: 31 July 2006
(Director/Company secretary)

Print name: Alex Neuling

+ See chapter 19 for defined terms.