



ASX ANNOUNCEMENT

MARKET UPDATE

31 October 2006

Quarterly Report July – September 2006

Highlights:

- **Two new Avian Influenza (Bird Flu) vaccine candidates finalised and efficacy trials scheduled to begin in 2006**
- **Completion of OGTR safety trials in Australia for the Poultry Productivity Enhancer**
- **Strengthening of patent position – US pig patent interference favourably resolved, enhanced pig patent application in the US and poultry patent now granted in Europe**
- **Vaccine candidates for the prevention and treatment of Coccidiosis nearing progression to animal trials**

Avian Influenza

Imugene has successfully completed the laboratory construction and in-vitro testing for the two avian influenza (H5N1 strain bird flu) vaccine candidates. These vaccine candidates are now ready for challenge trials in chickens to confirm efficacy in protecting chickens from avian influenza.

Following a review of trial site alternatives the initial efficacy trial will be held in the United States commencing in November this year.

The trial will test both the 'Broiler' vaccine and the 'Layer/Broiler Breeder' vaccine candidates. Under the proposed poultry trial, chickens will be initially vaccinated with the Imugene vaccines and then challenged with the live avian influenza virus to determine if a sufficient immune response is generated to protect the chickens.

During the recent quarter, both vaccine candidates were thoroughly verified by various laboratory based and external in-vitro tests. Results have confirmed all trial material has been correctly constructed. The required quantity of trial material has been prepared and the necessary permits for transport of the vaccines to the US have been granted.

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Poultry Productivity Enhancer (PPE)

During the quarter Imugene completed the final safety trials requested by the Office of Gene Technology Regulator (OGTR). The results re-confirmed the PPE's safety with all regulatory trial endpoints being easily satisfied.

The final dossier detailing these results is nearing completion and will be submitted to enable additional regulatory approvals from the OGTR. This is a major step toward commercial release of the PPE in Australia.

The safety trials have confirmed the PPE vaccine does not infect species other than chickens such as starlings, sparrows and pigeons.

The trial results have been forwarded to Merial as part of the product's commercial development program.

The PPE remains on track to become Imugene's first vaccine product in the market.

Patent Successes

During the quarter, Imugene:

- successfully resolved the porcine adenovirus (PAV) patent interference in the US
- lodged a patent application in the US for a PAV scientific improvement
- was granted the fowl adenovirus patent in Europe.

As a result Imugene's porcine adenovirus intellectual property position has significantly strengthened. The US patent interference resolution has now meant commercial negotiations with potential collaboration partners have recommenced and with greater certainty.

The new provisional patent lodged in July 2006 covers improvements in the effectiveness of vaccines using the porcine adenovirus vector and further significant commercial advantages such as possible dose reduction and reduced frequency of administration. The new patents also prolong commercial protection and increase future royalty timelines from all PAV products.

Coccidiosis

Research contract work by Imugene has constructed most of the required versions of the Coccidiosis vaccine candidates ready for animal trialing. These candidates have been prepared in collaboration with Abic Biological Laboratories Teva Ltd, (Abic) the animal health division of Israeli-based Teva Pharmaceutical Industries Ltd.

Imugene constructed the vaccines for trial using its patented Adenoviral Vector Delivery System using patented coccidia genes supplied and owned by Abic.

Laboratory-based confirmation tests have been successfully completed and have determined the correct gene insertion on the finalized candidates. Following confirmation of gene expression which is due to occur very shortly, the finalised candidates will be shipped to Abic for poultry trials.

Annual Report

The Imugene 2006 Annual report outlining the progress during the past year together with the Notice of Annual General meeting was recently mailed to shareholders.

- ENDS -

About Imugene (ASX: IMU)

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

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

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

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

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

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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 September 2006

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) staff costs | (296) | (296) |
| (b) advertising and marketing | - | - |
| (c) research and development | (70) | (70) |
| (d) leased assets | - | - |
| (e) other working capital | (336) | (336) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 32 | 32 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | 291 | 291 |
| Net operating cash flows | (379) | (379) |

+ 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 (3 months) \$A'000 |
|--|---------------------------|--|
| 1.8 Net operating cash flows (carried forward) | (379) | (379) |
| 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 | (4) | (4) |
| (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) | - | - |
| Net investing cash flows | (4) | (4) |
| 1.14 Total operating and investing cash flows | (383) | (383) |
| 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 | (383) | (383) |
| 1.21 Cash at beginning of quarter/year to date | 2,697 | 2,697 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 2,314 | 2,314 |

+ 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 | (276) | | | | | | | | |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | Nil | | | | | | | | |
| 1.26 | <p>Explanation necessary for an understanding of the transactions</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; vertical-align: top;">(i)</td> <td>Executive salaries, bonuses, consulting fees and superannuation entitlements;</td> </tr> <tr> <td style="vertical-align: top;">(ii)</td> <td>Reimbursement of expenses;</td> </tr> <tr> <td style="vertical-align: top;">(iii)</td> <td>Provision of legal services; and</td> </tr> <tr> <td style="vertical-align: top;">(iv)</td> <td>Non-executive directors fees</td> </tr> </table> | | (i) | Executive salaries, bonuses, consulting fees and superannuation entitlements; | (ii) | Reimbursement of expenses; | (iii) | Provision of legal services; and | (iv) | Non-executive directors fees |
| (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 | 714 | 714 |
| 4.2 | Deposits at call | 1,600 | 1,600 |
| 4.3 | Bank overdraft | - | - |
| 4.4 | Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | | 2,314 | 2,314 |

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 October 2006
(Director/Company secretary)

Print name: Alex Neuling

+ See chapter 19 for defined terms.