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Imugene Limited

Annual report: 2018



IMUGENE

ABN 99 009 179 551

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Chairman's letter

Dear fellow shareholders,

On behalf of the board, I present my review of the company's activities over the past financial year, a period of solid progress for your company.

The key events were the start of the Phase 1b/2 gastric cancer trial in Asia, and the licensing of a comprehensive suite of promising B-cell vaccine technology from Ohio State University and the Mayo Clinic.

Our anti-HER-2 cancer vaccine, known as HER-Vaxx, is recruiting gastric cancer patients across centres in Asia and Eastern Europe. Once the Phase 1b is fully recruited, and the patients' data is analysed, we will report the results to shareholders.

The licencing transaction with Ohio State University and the Mayo Clinic has enabled Imugene to take a prominent position in the development of B-cell peptide vaccines, which was the original genesis of the company based on the exciting vaccine work we were already conducting with Professor Ursula Wiedermann at the Medical University of Vienna, Austria.

In addition to an on-going US based Phase 2 trial targeting HER-2, the licencing transaction also included technology for a PD-1 immune check-point inhibitor, one of the most exciting areas of drug development in immuno-oncology today. The PD-1 vaccine candidate is currently being prepared for entry into a Phase 1 clinical trial sometime in 2019.

Your company is now well funded thanks to our existing shareholders' support and also from a number of institutional investors in Australia, the United States and Hong Kong.

Two capital raisings, one in December 2017, and more recently in July 2018, raised approximately \$28.8 million, and have placed the company in a sound financial position with sufficient funding to complete current programs.

As a result of the growth in our business, post balance date, we have strengthened our team with a number of pivotal appointments reflecting the growing reputation and credibility of the company beyond Australia. Professor Pravin Kaumaya of Ohio State University and Professor Tanios Bekaii-Saab of the Mayo Clinic College of Medicine and Science have both been appointed to our Scientific Advisory Board and Dr Mark Marino has been appointed as our Chief Medical Officer. They are all leaders in their field and bring a valuable depth of knowledge and talent to Imugene. We are delighted to welcome them aboard.



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Looking ahead, we are quietly confident in the outlook for Imugene.

On behalf of the board, I thank shareholders for their ongoing support and confidence, and management for their outstanding contribution during the year, and expect another year of progress ahead.

A handwritten signature in black ink, appearing to read 'Paul Hopper'.

Mr Paul Hopper
Executive Chairman

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Review of operations and activities

30 June 2018

Imugene Limited is pleased to announce its financial results for the year ending 30 June 2018. The following are selected highlights of the year and extracted description of operations for the period.

Highlights:

- \$20.1 million raised in new funds, completed in July 2018
- Significant B-cell vaccine technology acquired from Ohio State University, cementing Imugene's position as a leader in the B-cell vaccine space
- R&D rebate in the period of \$1.87 million
- HER-Vaxx shows immunogenicity from the Phase 1b trial
- Loss for the period of \$3.9 million
- Net assets at year-end of \$15.5 million

Leslie Chong the group's CEO and Managing Director said, "last year was a turning point for IMU; we showed encouraging results in our lead clinical trial of HER-Vaxx and strengthened our position as a leader in the field of B-cell vaccines. We now have a number of exciting projects proceeding and we look forward to updating the market as we progress their development."

Financial review

The group reported a loss for the financial year ended 30 June 2018 of \$3,933,641 (30 June 2017: \$2,506,571). The loss is after expensing all research and development costs.

The group's net assets increased to \$15,475,479 compared with the previous year to \$11,394,622. As at 30 June 2018, the group had cash reserves of \$7,822,057 (2017: \$4,814,200).

Following year-end, in July the group raised \$20.1 million.

An overall increase in receivables for the year reflects the pending receipt of \$1,867,714 (2017: \$1,163,693) for the research and development tax rebate. The net carrying value of the group's intangible assets of \$7,057,100 (2017: \$6,599,755) has increased due to the acquisition of intellectual property from the Ohio State University and Mayo Clinic.

Operating review

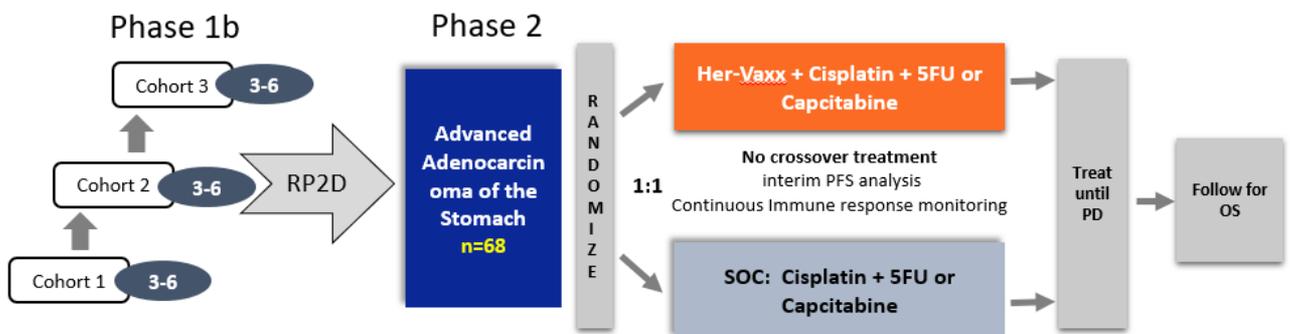
HER-Vaxx

During the last financial year, management continued to monitor the enrolment and data collection for the HER-Vaxx Phase 1b/2 clinical trial. This included working with oncologists on the study to ensure that eligible patients are enrolled and guiding the contract research organisation (CRO) to attentively monitor the sites and data.

Phase 1b/2 gastric cancer study

Having successfully conducted a Phase 1 clinical trial in patients with metastatic breast cancer, our current trial is conducting a targeted trial in patients with HER-2 positive gastric cancer. HER-2 positive gastric cancer was selected for this study as this type is not nearly as well served as breast cancer. Gastric cancer has approximately the same number of patients who are HER-2 positive and is more severe than breast cancer offering a significant market opportunity for HER-Vaxx. Specific regions were chosen to conduct the study due to the prevailing factors of higher rate of gastric cancer, access and reimbursement of the standard of care. The Phase 1b/2 gastric cancer study design is as follows:

- The Phase 1b part of the trial is testing three different doses of the HER-Vaxx vaccine with up to 18 patients (three groups of up to six patients) in combination with chemotherapy across clinical trial sites;
- The key endpoints are to identify the optimal dose of HER-Vaxx for the Phase 2 study, and to confirm safety. Researchers continue to monitor the patient's immune responses to the vaccine;
- The Phase 1b part will be followed by a randomised open label Phase 2 study with around 68 patients with metastatic gastric cancer overexpressing HER-2. The study will be randomised into two arms of either HER-Vaxx plus standard-of-care (chemotherapy) or standard-of-care alone, and





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- The endpoints of this randomised trial will be safety, immune response, progression-free survival and overall survival.

The hospitals/clinics that are participating in the HER-Vaxx Phase 1b/2 gastric study are actively recruiting study patients. We anticipate safety and immunogenicity data from the Phase 1b portion of the study and we look forward to moving into the Phase 2 part of the study where we will obtain further safety data as well as efficacy.

Mimotope programme

A mimotope is a small molecule, often a peptide, which mirrors the structure of an epitope, the specific target an antibody binds to. Because of this property, it induces an antibody response like the one elicited by the monoclonal antibody. Professor Ursula Wiedermann with her team at the Medical University of Vienna, are working on mimotope characterisation, immunogenicity and preclinical work to identify our next mimotope candidate and pipeline.

Arginine modulators

The group has an exclusive agreement with the Baker IDI Heart & Diabetes Institute in Melbourne to research, develop and commercialise a portfolio of small molecule arginine modulators for oncology.

Arginine is a naturally occurring amino acid critical for the activation, growth and survival of the body's own cancer-fighting cells. Depletion of arginine has been observed in renal cell carcinoma and acute myeloid leukemia patients. Researchers believe increasing availability of arginine could help restore the tumour killing activity of the body's own cancer fighting cells.

The group's arginine modulator molecule increases the availability of arginine in the cellular environment. Pre-clinical in vivo data for its arginine modulator drug candidate has demonstrated anti-tumour activity in 12 different cancer mouse models of the most prevalent cancers, with significant activity in a melanoma cancer model.

Ohio State University/Mayo Clinic licence transaction (post year-end)

On 7 June 2018 the group announced the licensing of a substantial intellectual property estate from Ohio State University and Mayo Clinic. This broad patent portfolio includes six patent families



Prof. Josep Taberero, President of European Society for Medical Oncology (left) with Ms Leslie Chong (right)



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comprising 16 issued patents or pending applications for compositions of matter and/or methods of use of a large range of B-cell peptide and cancer vaccines comprising PD-1, HER1, HER-2, HER-3, VEGF, IGF-1R, CD28 peptides and combinations thereof.



Prof. Pravin Kaumaya (left), with Mr Paul Hopper (centre) and Ms Leslie Chong (right)

The licence included a PD-1 checkpoint inhibitor B-cell vaccine for a proposed Phase 1 trial in 2019, two completed National Cancer Institute (NCI) funded, and FDA approved Phase 1 clinical trials at Ohio State's James Cancer Hospital and Solove Research Institute, Columbus, Ohio, and an ongoing NCI-funded, FDA approved Phase II

HER-2 clinical trial at Ohio State.

The licence expands the groups R&D capability via access to Professor Kaumaya's comprehensive translational laboratory facilities at Ohio State University under a three-year research contract.

PD-1 B-cell peptide cancer vaccine known as KEY-Vaxx

IND enabling work for the PD-1 cancer vaccine is now underway. Planning for pre-clinical experiments and toxicology studies have commenced.

Meetings with the FDA to discuss pre-clinical and toxicology studies as well as clinical trial design are being scheduled.

Business strategy and future prospects

The focus of the group's operations in the short to medium term will be directed at completing the HER-Vaxx Phase 1b study.



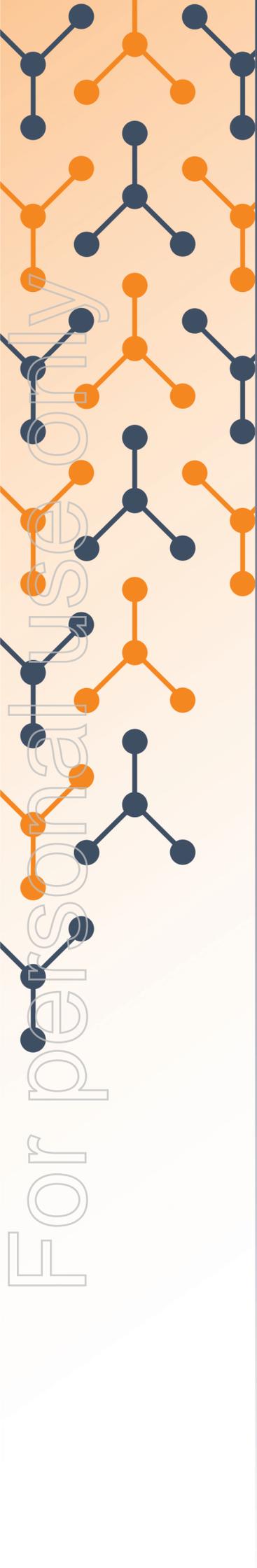
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An equal priority is to establish the FDA IND package for KEY-Vaxx for submission and approval to commence the Phase 1 study in the first in human study with the first anti PD-1 peptide cancer vaccine (KEY-Vaxx).

A handwritten signature in blue ink, appearing to read 'Leslie Chong'.

Ms Leslie Chong
CEO and Managing Director

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Directors' report

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Imugene Limited
Directors' report
30 June 2018
(continued)

The directors present their report on the consolidated entity (referred to hereafter as the 'group') consisting of Imugene Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2018.

Directors and company secretary

The following persons held office as directors of Imugene Limited during the financial year:

Mr Paul Hopper, Executive Chairman
Ms Leslie Chong, Chief Executive Officer and Managing Director (appointed 28 March 2018)
Mr Charles Walker, Non-Executive Director
Dr Axel Hoos, Non-Executive Director

The following persons held office as company secretary of Imugene Limited during the financial year:

Mr Phillip Hains
Mr Justyn Stedwell

Principal activities

The group is an Australian immuno-oncology focused biopharmaceutical company developing mimotopes that induce B-cells to produce antibodies against cancer targets and development of small molecule drug candidates known as arginine modulators.

The group's lead product is HER-Vaxx, a proprietary HER2 +ve cancer vaccine that stimulates a polyclonal antibody response against the HER2/neu receptors which are prevalent in breast cancer and gastric cancer. The group seeks to develop its pipeline of mimotopes against clinically and commercially validated targets.

A new patent was filed for the arginine modulators in the field of cancer and immuno-oncology, including combination with checkpoint inhibitors.

Financial and operating review

Information on the financials and operations of the group and its business strategies and prospects is set out in the review of operations and activities on pages 3 to 7 of this annual report.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the group during the year.

Events since the end of the financial year

On 13 July 2018, Imugene Limited completed an equity raising of A\$20.1 million by way of a rights issue and private placement.

On 20 July 2018, 15 million options were granted to a member of key management personnel, Dr Nicholas Ede. Issued in three tranches of 5 million each, these options are exercisable upon completion of internal R&D milestones at \$0.04, \$0.042, and \$0.045 each.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

Environmental regulation

The group is not affected by any significant environmental regulation in respect of its operations.

Information on directors

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

Information on directors (continued)

Mr Paul Hopper <i>Executive Chairman</i>		
Experience and expertise	Mr Hopper has over twenty years' experience in the management and funding of biotechnology and healthcare public companies both as CEO and director in Australia and the United States. Mr Hopper's sector experience has covered a number of therapeutic areas with a particular emphasis on immunotherapy and cancer vaccines. He also has extensive capital markets experience in equity and debt raisings in Australia, Asia, Europe, and the United States.	
Date of appointment	31 October 2012	
Other current directorships	Prescient Therapeutics Limited (ASX: PTX)	
Former directorships in last 3 years	Viralytics Limited (ASX: VLA)	
Special responsibilities	Audit and risk committee and remuneration and nomination committee	
Interests in shares and options	Ordinary shares	72,196,875
	Options	-

Ms Leslie Chong <i>Chief Executive Officer and Managing Director</i>		
Experience and expertise	Ms Chong joined the group in September 2015 from the leading pharmaceutical company, Genentech, where she was a Senior Clinical Program Lead, a member of the Roche family, in the head office in San Francisco. She has over 19 years of experience in leading clinical and department development in oncology. In November 2016, Ms Chong was promoted as Imugene's CEO and joined the board as Managing Director in March 2018.	
Date of appointment	21 November 2016 (CEO) and 28 March 2018 (Managing Director)	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Ordinary shares	2,850,588
	Options	27,000,000

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Information on directors (continued)

Mr Charles Walker <i>Non-Executive Director</i>		
Experience and expertise	Mr Walker has broad and successful experience across many aspects of the biotechnology and life sciences industry. His experience includes significant operational and leadership skills, a strong capital markets track record from executing nearly 60 international fundraisings, both as principal and advisor, and a detailed scientific understanding gained from his technical background in pharmacology. Mr Walker was previously CEO and CFO of Alchemia (ASX: ACL) and Managing Director of Imugene.	
Date of appointment	13 September 2015	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Audit and risk committee and remuneration and nomination committee	
Interests in shares and options	Ordinary shares	27,462,500
	Options	325,000

Dr Axel Hoos <i>Non-Executive Director</i>		
Experience and expertise	Dr Hoos is a Senior Vice President, Oncology R&D at GlaxoSmithKline where he directs clinical and translational research on molecular mechanisms of cancer and tumour-host interactions for rational combination of therapies to optimise patient outcomes. Prior to his current role, he was the medical lead in immunology/oncology at Bristol-Myers Squibb where he developed the Yervoy monoclonal antibody in melanoma and other indications. Yervoy is the first therapy to extend survival in metastatic melanoma. He has previously been co-director of the influential think-tank Cancer Immunotherapy Consortium. He adds substantial big pharma oncology experience to the board.	
Date of appointment	20 December 2013	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Audit and risk committee and remuneration and nomination committee	
Interests in shares and options	Ordinary shares	7,500,000
	Options	25,000,000

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Information on officers

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

Mr Phillip Hains <i>Chief Financial Officer and Joint Company Secretary</i>		
Experience and expertise	Mr Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Chartered Accountants Australia and New Zealand.	
Date of appointment	20 December 2012	
Interests in shares and options	Ordinary shares	-
	Options	-

Mr Justyn Stedwell <i>Joint Company Secretary</i>		
Experience and expertise	Mr Stedwell is a professional company secretary with over twelve years' experience as a company secretary in ASX listed companies within various industries including IT, telecommunications, biotechnology, and mining. He has completed a Bachelor of Business and Commerce (Management and Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and Graduate Certificate of Applied Finance with Kaplan Professional.	
Date of appointment	30 July 2012	
Interests in shares and options	Ordinary shares	-
	Options	-

Meetings of directors

The numbers of meetings of the group's board of directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Mr Paul Hopper	11	11	6	6	1	1
Ms Leslie Chong**	3	3	-	-	-	-
Mr Charles Walker	11	11	6	6	1	1
Dr Axel Hoos	10	11	5	6	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

** = Not a member of the relevant committee

Meetings of directors (continued)

Remuneration report (audited)

The directors present the Imugene Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Relationship between the remuneration policy and group performance
- (f) Key management personnel disclosures

(a) Principles used to determine the nature and amount of remuneration

Remuneration governance

At present the functions of the remuneration and nomination committee in relation to the remuneration of the group's executives (including share and benefit plans) are carried out by the full board. No directors are present at meetings of the board in this function where their own remuneration is being considered. Issues of remuneration are considered annually or otherwise as required.

The objective of the board, acting in its capacity as remuneration and nomination committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration and nomination committee charter adopted by the board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short and long-term incentives as appropriate.

Non-executive directors

The maximum amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a general meeting and is currently at a maximum of \$45,000 (AUD/USD) per director per annum. The group's policy is to remunerate non-executive directors at market rates (for comparable companies) for time commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the group; however, to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the group.

Non-executive directors' fees and payments are reviewed annually or otherwise as required by the board.

Retirement benefits and allowances

No retirement benefits or allowances are paid or payable to directors of the group, other than superannuation where applicable.

Other benefits

No motor vehicle, health insurance or other similar allowances are made available to directors (other than through salary-sacrifice arrangements).

Executive pay

Executive pay and reward consists of base pay, short-term performance incentives, long-term performance incentives and other remuneration such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

Base pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisky) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness.

Remuneration report (audited) (continued)

(a) Principles used to determine the nature and amount of remuneration (continued)

Short-term and long term incentives

Contractual agreements with key management personnel provide for the provision of incentive arrangements. There are currently short- and long-term incentive schemes in place within individual contracts of the group's employees, refer to service agreements section of the directors' report on page 16.

Securities trading policy

The trading of group's securities by employees and directors is subject to, and conditional upon, the *policy for trading in company securities* which is available on the group's website (www.imugene.com).

Voting and comments made at the last annual general meeting

At the last annual general meeting (AGM), the group received 99.8 percent approval for the remuneration report adopted for the 2017 financial year. The group did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(b) Details of remuneration

Mr Paul Hopper, Executive Chairman
Ms Leslie Chong, Chief Executive Officer¹ and Managing Director²
Mr Charles Walker, Non-Executive Director
Dr Axel Hoos, Non-Executive Director

¹ Ms Leslie Chong was Chief Executive Officer from 1 July 2017 to 27 March 2018

² Ms Leslie Chong appointed Chief Executive Officer and Managing Director on 28 March 2018

Key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group receiving the highest remuneration. Details of the remuneration of the KMP of the group are set out in the following tables.

The following person was considered other KMP of Imugene Limited during the financial year:

Dr Nicholas Ede, Chief Technology Officer

Amounts of remuneration

The following table shows details of remuneration expenses recognised for the group's KMP for the financial year ended 30 June 2018.

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Mr Charles Walker	41,096	-	-	3,904	-	-	45,000
Dr Axel Hoos	58,121	-	-	-	-	5,424	63,545
Executive directors							
Mr Paul Hopper	137,400	-	-	-	-	-	137,400
Ms Leslie Chong	300,000	50,000	-	20,049	4,060	14,423	388,532

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Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	
	\$	\$	\$	\$	\$	\$	\$
Other KMP							
Dr Nicholas Ede	185,000	17,000	-	17,575	11,021	-	230,596
Total KMP compensation	721,617	67,000	-	41,528	15,081	19,847	865,073

Notes

- Ms Leslie Chong appointed as executive director on 28 March 2018.

The following table shows details of remuneration expenses recognised for the group's KMP for the financial year ended 30 June 2017.

2017	Short-term benefits				Post-employment benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Options	
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Mr Charles Walker	41,096	-	-	-	3,904	-	45,000
Dr Axel Hoos	59,799	-	-	-	-	89,660	149,459
Dr Anton Uvarov	18,750	-	-	-	-	-	18,750
Executive directors							
Mr Paul Hopper	137,400	-	-	136,000	-	-	273,400
Ms Leslie Chong	290,353	-	-	-	19,616	26,860	336,829
Other KMP							
Dr Nicholas Ede	185,000	-	-	-	17,575	-	202,575
Total KMP compensation	732,398	-	-	136,000	41,095	116,520	1,026,013

Notes

- Mr Paul Hopper's remuneration for the year was US\$200,000 as per his employment contract. Effective 21 November 2016, Mr Hopper's remuneration decreased to A\$137,400. The remaining balance of A\$130,545 has been deferred by mutual agreement. The remuneration disclosed in other short-term employee benefits (\$136,000) was deferred remuneration for FY2016 and FY2017.
- Dr Anton Uvarov resigned as non-executive director on 31 October 2016.

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Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Consolidated entity

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Non-executive director						
Mr Charles Walker	100	100	-	-	-	-
Dr Axel Hoos	91	40	-	-	9	60
Dr Anton Uvarov	-	100	-	-	-	-
Executive directors						
Mr Paul Hopper	100	100	-	-	-	-
Ms Leslie Chong	83	92	13	-	4	8
Other KMP						
Dr Nicholas Ede	93	100	7	-	-	-

(c) Service agreements

Executives

Mr Paul Hopper

The employment conditions of the executive chairman, Mr Paul Hopper is formalised in a consulting agreement for which he is paid A\$137,400 p.a.

Mr Hopper may be eligible to participate in any short term and/or long term incentive arrangements operated or introduced by any member of the group from time to time, in accordance with the terms and conditions governing those arrangements.

Ms Leslie Chong

The employment conditions of the Chief Operating Officer, Ms Leslie Chong is formalised in a contract of employment which commenced on the 25 August 2015. This contract currently stipulates a salary of \$275,000 p.a., exclusive of superannuation and an annual bonus up to 30% of salary subject to performance with a termination period of 12 months. In addition, a sign on bonus of \$20,000 in Imugene shares and relocation expenses of \$30,000 were provided within two business days of the commencement date.

Effective from 21 November 2016, Ms Leslie Chong was promoted to the position of Chief Executive Officer. A variation to the contract of employment was entered into, increasing a salary of \$275,000 p.a to \$300,000 p.a. excluding superannuation and an annual bonus up to 33% subject to performance milestones with no other change to terms and conditions.

On 28 March 2018, Ms Chong was appointed as Managing Director in addition to her position of Chief Executive Officer. Ms Chong's remuneration remained unchanged after this appointment.

For the financial year ended 30 June 2018, it was determined by the board that Ms Chong was eligible for 50% of her 33% performance bonus. This amounted to \$50,000 and was granted on 31 October 2017. The time based performance milestones for the financial year ended 30 June 2018 related to:

- Increase in share price

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Remuneration report (audited) (continued)

(c) Service agreements (continued)

Executives (continued)

Ms Leslie Chong (continued)

- Raising capital
- Complete and/or manage all activities for site activation
- KPI in relation to clinical trials

Non-executive directors

In accordance with best practise governance, the structure of non-executive directors and executive remunerations is separate and distinct.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the boards. The board considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the group.

The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

The base fee for a non-executive director is presently \$45,000 (AUD/USD) per annum plus GST where applicable. Directors' fees cover all main board activities and committee memberships.

Key management personnel

Dr Nicholas Ede

The employment conditions for the Chief Technology Officer employee, Dr Nicholas Ede is formalised in a contract of employment which commenced on the 27 October 2014 and updated with effect from 1 February 2016. This contract stipulates a salary of \$185,000 p.a. exclusive of superannuation and an incentive package of 4.5 million options (since exercised) subject to vesting conditions based on a period of time. The incentive package is determined upon continued employment as a key member of the group in progressing development of group trials.

For the financial year ended 30 June 2018, it was determined by the board that Dr Ede was eligible for 28% of his 33% performance bonus. This amounted to \$17,000 and was granted on 6 November 2017. The time based performance milestones for the financial year ended 30 June 2018 related to:

- KPI in relation to pre-clinical and clinical trials
- File technology patents and or IP
- Source and convert new immuno-oncology opportunities

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

(d) Share-based compensation

(i) Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the financial year ended 30 June 2018.

(ii) Options

There were no options issued to directors and other key management personnel as part of compensation during the financial year ended 30 June 2018.

Remuneration report (audited) (continued)

(e) Relationship between the remuneration policy and group performance

Statutory performance indicators

As detailed under headings (a) and (b), remuneration of executives consists of an unrisks element (base pay) and share bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the group in the current or previous reporting periods.

The tables below set out summary information about the group's earnings and movement in shareholder wealth for the five years to 30 June 2018:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Revenue	94,327	35,429	39,402	38,355	27,101
Net profit/(loss) before tax	(3,933,641)	(2,506,571)	(2,730,642)	(2,440,789)	(2,115,964)
Net profit/(loss) after tax	(3,933,641)	(2,506,571)	(2,730,642)	(2,440,789)	(2,115,964)

No dividends have been paid for the five years to 30 June 2018.

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Share price at end of year	0.030	0.014	0.008	0.011	0.013
Basic earnings/(loss) per share (cents)	(0.15)	(0.12)	(0.19)	(0.21)	(0.31)
Diluted earnings/(loss) per share (cents)	(0.15)	(0.12)	(0.19)	(0.21)	(0.31)

(f) Key management personnel disclosures

Share holdings

The number of shares in the parent entity held during the financial years ended 30 June 2018 and 30 June 2017 by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

2018	Balance at the start of the period¹	Granted as remuneration	Received on exercise of options	Other changes²	Balance at the end of the period³
Ordinary shares					
Mr Paul Hopper	71,696,875	-	-	500,000	72,196,875
Ms Leslie Chong	2,850,588	-	-	-	2,850,588
Mr Charles Walker	26,500,000	-	-	962,500	27,462,500
Dr Axel Hoos	7,500,000	-	-	-	7,500,000
Dr Nicholas Ede	7,000,000	-	4,500,000	(6,000,000)	5,500,000
	115,547,463	-	4,500,000	(4,537,500)	115,509,963

Notes

¹ Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.

² Other changes incorporates changes resulting from the sale of shares.

Remuneration report (audited) (continued)

(f) Key management personnel disclosures (continued)

Share holdings (continued)

³ For former KMP, the balance is as at the date they cease being KMP.

Option holdings

The number of options over ordinary shares in the parent entity held during the financial years ended 30 June 2018 and 30 June 2017 by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

2018	Balance at start of the period ¹	Granted as remuneration	Exercised	Other changes ²	Balance at end of the period ³	Vested and exercisable
Options						
Mr Paul Hopper	-	-	-	-	-	-
Ms Leslie Chong	27,000,000	-	-	-	27,000,000	18,000,000
Mr Charles Walker	-	-	-	325,000	325,000	325,000
Dr Axel Hoos	25,000,000	-	-	-	25,000,000	-
Dr Nicholas Ede	4,500,000	-	(4,500,000)	-	-	-
	56,500,000	-	(4,500,000)	325,000	52,325,000	18,325,000

Notes

¹ Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.

² Other changes incorporates changes resulting from the expiration/forfeiture of options.

³ For former KMP, the balance is as at the date they cease being KMP.

[This concludes the remuneration report, which has been audited]

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Related party transactions

There were no related party transactions during the period.

Shares under option

(a) Unissued ordinary shares

Unissued ordinary shares of Imugene Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
15 December 2014	14/07/2019	0.025	2,500,000
25 August 2015	14/09/2019	0.0125	9,000,000
25 August 2015	14/09/2019	0.015	9,000,000
25 August 2015	14/09/2019	0.0175	9,000,000
26 October 2015	26/10/2018	0.015	10,000,000
26 October 2015	26/10/2019	0.0125	2,500,000
26 October 2015	26/10/2019	0.0175	2,500,000
30 March 2017	04/12/2020	0.0200	10,000,000
13 September 2017	30/06/2020	0.02	2,500,000
13 September 2017	30/06/2020	0.025	2,500,000
17 September 2017	30/06/2020	0.02	2,500,000
17 September 2017	30/06/2020	0.025	2,500,000
14 November 2017	22/11/2020	0.026	242,534,374
			307,034,374

No option holder has any right under the options to participate in any other share issue of the group or any other entity.

Intellectual property

The group currently has rights to a family of patents/patent applications that protect its core platform immunotherapy technologies (HER-Vaxx, KEY-Vaxx, B-Vaxx, mimotopes and arginine modulators).

The group acquired the intellectual property for the HER-Vaxx immunotherapy through the acquisition of Biolife Science Qld Pty Ltd on 20 December 2013.

On 7 June 2018, the group announced it signed an exclusive, worldwide licence to the entire body of cancer vaccine work and intellectual property developed by Professor Pravin T. P. Kaumaya of the Ohio State University Wexner Medical Center, the Comprehensive Cancer Center - Arthur G. James Cancer Hospital, Richard J. Solove Research Institute (OSU) and Mayo Clinic.

The group will also seek patent protection for new intellectual property, including improvements to the platform technologies, and their applications including IP arising from the new mimotopes and arginine platforms.

Maintaining and strengthening our already strong international intellectual property position is a key area of focus in maintaining the competitive advantage of HER-Vaxx, KEY-Vaxx (acquired from OSU/Mayo Clinic), B-Vaxx (acquired from OSU) and any future improvements, vaccine formulations and clinical uses.

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Insurance of officers and indemnities

(a) Insurance of officers

The group has indemnified the directors and executives of the group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the group paid a premium in respect of a contract to insure the directors and executives of the group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

(b) Indemnity of auditors

The group has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the group or any related entity against a liability incurred by the auditor.

During the financial year, the group has not paid a premium in respect of a contract to insure the auditor of the group or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the group, or to intervene in any proceedings to which the group is a party, for the purpose of taking responsibility on behalf of the group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

During the financial year ended 30 June 2018 the group did not engage the external auditor to provide non-audit services.

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group are important.

There are no officers of the group who are former audit partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Mr Paul Hopper
Executive Chairman

Melbourne
31 August 2018

Auditor's Independence Declaration

To the Directors of Imugene Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Imugene Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

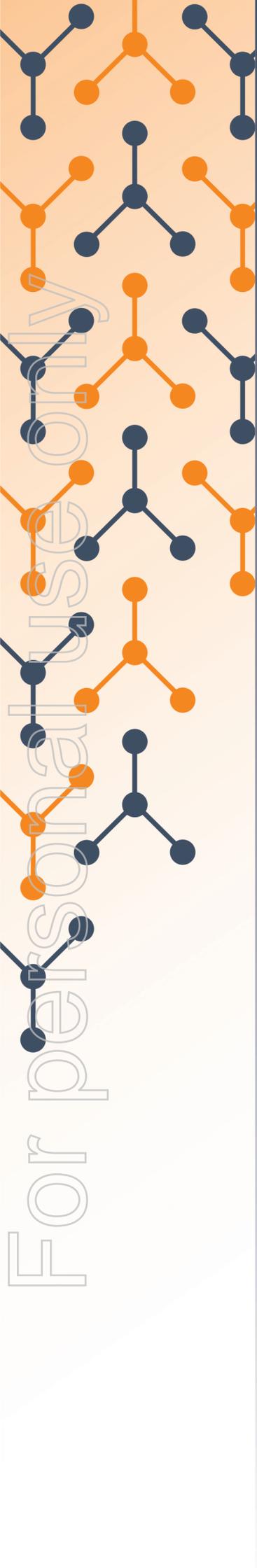


Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 August 2018



Corporate governance statement

Imugene Limited
Corporate governance statement
30 June 2018
(continued)

Imugene Limited (referred to hereafter as the group) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the group has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the group's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the group's corporate governance practices depart from a recommendation, the board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Additional information about the group's corporate governance practices is set out on the group's website at www.imugene.com.

The group has adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The corporate governance statement for the financial year ended 30 June 2018 is dated as at 30 June 2018 and was approved by the board on 31 August 2018.

Principle 1: Lay solid foundations for management and oversight

Role of the board and executive management

The group has established the functions reserved to the board, and those delegated to senior executives and has set out these functions in its board charter.

The board is collectively responsible for promoting the success of the group through its key functions of overseeing the management of the group, providing overall corporate governance of the group, monitoring the financial performance of the group, engaging appropriate management commensurate with the group's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting in implementing the running of the general operations and financial business of the group, in accordance with the delegated authority of the board. Senior executives are responsible for reporting all matters which fall within the group's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

The group's board charter is available on the group's website.

Board appointments

The group undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The group provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the board supports the appointment or re-election. The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

Company secretary

The company secretary is accountable directly to the board, through the Chairman, on all matters to do with the proper functioning of the board, including agendas, board papers and minutes, advising the board and its committees (as applicable) on governance matters, monitoring that the board and committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Principle 1: Lay solid foundations for management and oversight (continued)

Diversity

The group values the differences between its personnel and the valuable contribution that these differences can make to the group.

The group is an equal opportunity employer and aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience. Executive and board positions are filled by the best candidates available without discrimination.

The board believes that multicultural diversity and other diversity factors are equally important as gender diversity within the organisation. The board has not set any measurable objectives in regards to gender diversity as the board is currently satisfied with the level of diversity within the group.

As the group grows and requires the services of more permanent staff, the group does intend to recruit personnel at all levels from a diverse pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

The following table demonstrates the group's gender diversity as at the date of this report:

	Number of males	Number of females
Directors	3	1
Key management personnel	1	0
Other employees/consultants	2	1

Board performance review

The board considers the ongoing development and improvement of its own performance, the performance of individual directors and board committees as critical to effective governance.

The board has adopted an informal self-evaluation process to measure its own performance. The performance of the board and individual directors is reviewed at least every year by the board as a whole. This process includes a review in relation to the composition and skills mix of the directors of the group. Performance reviews involve analysis based on key performance indicators aligned with the financial and non-financial objectives of the group. A performance review in accordance with the processes disclosed occurred during financial year ended 30 June 2018.

Performance review of KMP

On at least an annual basis, the board conducts a formal performance review of the Chief Executive Officer or equivalent and any other key management personnel (KMP). The board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. A performance review of KMP occurred during the financial year ended 30 June 2018 in accordance with this process.

Independent advice

To assist directors with independent judgement, it is the board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the group will pay the reasonable expenses associated with obtaining such advice.

Principle 2: Structure the board to add value

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the group website. The charter details the board's composition and responsibilities.

Principle 2: Structure the board to add value (continued)

Skills, experience, expertise of each director

A profile of each director containing their skills, experience and expertise is set out in the directors' report along with the term of office held by each of the directors.

Directors' independence

The board considers the independence of directors having regard to the relationships listed in Box 2.1 of the *Corporate Governance Principles and Recommendations*.

The board does not consist of a majority of Independent directors. The board considers that the presence of at least one independent director on the board is sufficient given the size of the group and the board, and the nature and scope of the group's current operations. Two of four current directors, Mr Charles Walker and Dr Axel Hoos, are considered to be independent.

The group's Executive Chairman, Mr Paul Hopper, is not an independent director. At this critical stage of the group's development, the board believes it is important to have the Chairman engaged in the management of the group as an Executive Director. In situations that present a possible conflict of interest to the Chairman, the lead independent director will act as Chair.

The role of the Executive Chairman and the CEO are not exercised by the same individual.

Nomination of directors

The responsibilities of the remuneration and nomination committee include considering board succession issues and reviewing board composition to assist in ensuring the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Induction of new directors and ongoing development

New directors are issued with a formal letter of appointment that sets out the key terms and conditions of their appointment, including director's duties, rights and responsibilities, the time commitment envisaged, and the board's expectations regarding involvement with any committee work.

A new director induction program is in place and directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

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The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the group website. The charter details the board's composition and responsibilities.

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Principle 2: Structure the board to add value (continued)

Directors' independence (continued)

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A new director induction program is in place and directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The group has established a code of conduct as to the practices necessary to maintain confidence in the group's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The group's code of conduct is available on the group website.

Policy for trading in company securities

The group has established a policy concerning trading in the group's securities by directors, senior executives and employees, and their "connected persons" (which includes spouses and controlled entities).

A copy of the group's *policy for trading in company securities* can be found on the group's website.

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

The board has established an audit and risk committee (audit committee), which consists of three board members and is chaired by non-executive director, Mr Charles Walker who is an independent director. Committee member Dr Axel Hoos is also a non-executive and independent director.

Principle 4: Safeguard integrity in financial reporting (continued)

Audit and risk committee (continued)

The board considers that the presence of two independent non-executive directors on board committees is sufficient given the size of the group and the board, and the nature and scope of the group's current operations.

The board has adopted an audit committee charter, which describes the role, composition, operations and responsibilities of the audit committee. Due to the size of the group and the board, the audit committee does not consist of only non-executive directors but does consist of a majority of independent directors.

The group's audit committee charter is available on its website.

CEO and CFO declarations

The CEO and CFO have provided the board with a declaration that, in their opinion, the financial records of the group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External auditors

The board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the audit committee. Candidates for the position of external auditor must demonstrate complete independence from the group through the engagement period. The board may otherwise select an external auditor based on criteria relevant to the group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the audit committee and any recommendations are made to the board.

The group's external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

Prior approval of the board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

Principle 5: Make timely and balanced disclosures

The group has established written policies and procedures designed to ensure compliance with ASX Listing Rule requirements and accountability at a senior executive level for that compliance.

The group has a disclosure policy which outlines the disclosure obligations of the group as required under the ASX Listing Rules and *Corporations Act 2001*. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which group securities are traded.

The company secretary has been nominated as the person responsible for communicating with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The information disclosed will be factual and presented in a clear and balanced way. The group has prepared and issued to all senior staff a written policy document on this matter and requires strict adherence to this policy.

The group's policy on continuous disclosure and a summary of the group's compliance procedures are available on the group's website.

Principle 6: Respect the rights of shareholders

The group is committed to providing current and relevant information to its shareholders.

Principle 6: Respect the rights of shareholders (continued)

The group respects the rights of its shareholders and to facilitate the effective exercise of those rights the group is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the group website, information mailed to shareholders and the general meetings of the group;
- giving shareholders ready access to clear and understandable information about the group; and
- making it easy for shareholders to participate in general meetings of the group.

The group also makes available a telephone number and email address for shareholders to make enquiries of the group. These contact details are available on the "contact us" page of the group's website.

Shareholders may elect to, and are encouraged to, receive communications from the group and its securities registry electronically.

The group maintains information in relation to its corporate governance documents, directors and senior executives, board and committee charters and annual reports on the group's website.

Principle 7: Recognise and manage risk

The board recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

The board has adopted a risk management policy which sets out the group's risk management frame. Under the policy, the board is responsible for approving the group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. The group does not have an internal audit function.

The group's risk management policy is periodically reviewed and updated. A review of the group's risk management framework was conducted by the board during the financial year ended 30 June 2018.

Under the policy, the board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the group's material business risks to reflect any material changes, with the approval of the board.

The group also faces risks inherent to its business, including economic risks, which may materially impact the group's ability to create or preserve value for security holders over the short, medium or long term. The group has in place policies and procedures, including a risk management framework (as described in the group's risk management policy), which is developed and updated to help manage these risks. The board does not consider that the group currently has any material exposure to environmental or social sustainability risks.

In addition, the following risk management measures have been adopted by the board to manage the group's material business risks:

- the board has established financial control procedures to manage expenditure commitments and approval of payments for both capital and operational expenditure;
- preparation and approval of an annual budget;
- the board has adopted a compliance procedure for the purpose of ensuring compliance with the group's continuous disclosure obligations; and
- the board has adopted a corporate governance manual which contains other policies to assist the group to establish and maintain its governance practices.

The group has in place a formal system of managing its material business risks. This system includes a risk matrix, which is prepared by management to identify the group's material business risks and risk management strategies for these risks.

The risk matrix is reviewed and updated as required. Management reports to the board on the group's management of its material business risks at each board meeting. During the financial year ended 30 June 2018, management has reported to the board as to the effectiveness of the group's management of its material business risks.

Principle 7: Recognise and manage risk (continued)

The categories of risk identified as part of the group's risk management system:

- Financial reporting;
- Operational;
- Technological;
- Reputation; and
- Legal and compliance

The group's risk management policy is available on the group's website.

The group also manages ongoing risk through the audit committee. The functions and responsibilities of that committee are outlined earlier in this section of the report and are set out in audit committee charter which is available on the group's website.

Principle 8: Remunerate fairly and responsibly

The board has established a remuneration and nomination committee which consists of three board members and is chaired by independent director, Dr Axel Hoos. The committee does consist of a majority of independent directors with two of three members being independent. The board considers that the presence of two non-executive directors and at least one independent director, on board committees is sufficient given the size of the group and the board, and the nature and scope of the group's current operations. The remuneration and nomination committee charter describes the role, composition, operations and responsibilities of the remuneration and nomination committee.

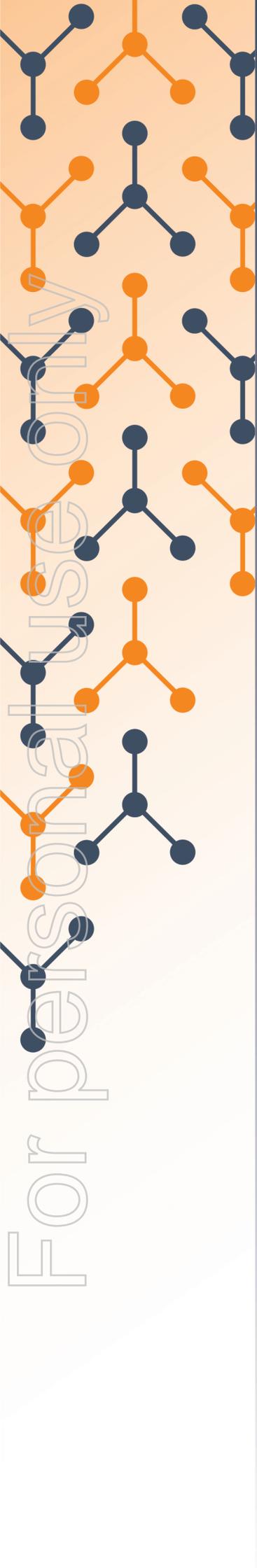
The board deals with any conflicts of interest that may occur when convening in the capacity of the remuneration and nomination committee by ensuring that the director with the conflict of interest is not party to the relevant discussion.

Details of remuneration, including the group's policy on remuneration, are contained in the remuneration report which forms part of the directors' report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and may include performance incentives. Long-term performance incentives may include options and/or shares granted at the discretion of the board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Participants in an equity based remuneration scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the group's securities to any other person.

There was one formal remuneration and nomination committee meeting held during the financial year ended 30 June 2018. The board in its capacity as the remuneration and nomination committee also addresses remuneration and nomination matters as an agenda item at each board meeting. The group's remuneration and nomination committee charter is available on the group's website.



Financial statements

Imugene Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

		Consolidated entity	
		30 June	30 June
		2018	2017
	Notes	\$	\$
Revenue			
Interest income	2	94,327	35,429
Other income	2	1,840,786	1,164,049
		1,935,113	1,199,478
Expenses			
Business development		(220,435)	(196,235)
Commercialisation expenses		(196,600)	(122,452)
Corporate administration expenses		(1,213,068)	(894,055)
Research and development expenses		(4,147,824)	(2,472,156)
Foreign exchange loss		(90,827)	(21,151)
Loss before income tax		(3,933,641)	(2,506,571)
Income tax expense	3	-	-
Loss for the period		(3,933,641)	(2,506,571)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(3,933,641)	(2,506,571)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share	21	(0.15)	(0.12)
Diluted loss per share	21	(0.15)	(0.12)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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Imugene Limited
Consolidated statement of financial position
As at 30 June 2018

		Consolidated entity	
		30 June	30 June
		2018	2017
Notes		\$	\$
ASSETS			
Current assets			
		7,822,057	4,814,200
	Cash at bank		
4	Trade and other receivables	1,914,707	1,217,403
	Prepayments	96,207	22,654
	Total current assets	9,832,971	6,054,257
Non-current assets			
	Other financial assets	20,306	20,306
	Property, plant and equipment	3,898	3,247
5	Intangible assets	7,057,100	6,599,755
	Total non-current assets	7,081,304	6,623,308
	Total assets	16,914,275	12,677,565
LIABILITIES			
Current liabilities			
	Trade and other payables	342,534	232,041
6	Provisions	95,706	65,452
	Total current liabilities	438,240	297,493
Non-current liabilities			
	Other financial liabilities	985,450	985,450
8	Provisions	15,106	-
	Total non-current liabilities	1,000,556	985,450
	Total liabilities	1,438,796	1,282,943
	Net assets	15,475,479	11,394,622
EQUITY			
	Share capital	44,285,931	36,335,357
9	Share-based payment reserve	299,945	1,202,024
10	Accumulated losses	(29,110,397)	(26,142,759)
	Total equity	15,475,479	11,394,622

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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Imugene Limited
Consolidated statement of changes in equity
For the year ended 30 June 2018

Consolidated entity	Notes	Share capital \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		30,407,225	1,096,320	(23,647,004)	7,856,541
Loss for the period		-	-	(2,506,571)	(2,506,571)
Total comprehensive income for the period		-	-	(2,506,571)	(2,506,571)
Transactions with owners in their capacity as owners:					
Shares issued	9(a)	6,248,806	-	-	6,248,806
Capital raising costs	9(a)	(320,674)	-	-	(320,674)
Options lapsed	9(b)	-	(10,816)	10,816	-
Share-based payment expense	9(b)	-	116,520	-	116,520
		5,928,132	105,704	10,816	6,044,652
Balance at 30 June 2017		36,335,357	1,202,024	(26,142,759)	11,394,622
Balance at 1 July 2017		36,335,357	1,202,024	(26,142,759)	11,394,622
Loss for the period		-	-	(3,933,641)	(3,933,641)
Total comprehensive income for the period		-	-	(3,933,641)	(3,933,641)
Transactions with owners in their capacity as owners:					
Shares issued	9(a)	8,798,682	-	-	8,798,682
Capital raising costs	9(a)	(848,108)	-	-	(848,108)
Exercise of options	9(b)	-	(20,491)	-	(20,491)
Share-based payment expense	9(b)	-	84,415	-	84,415
Reclassify expired options	9(b)	-	(966,003)	966,003	-
		7,950,574	(902,079)	966,003	8,014,498
Balance at 30 June 2018		44,285,931	299,945	(29,110,397)	15,475,479

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Imugene Limited
Consolidated statement of cash flows
For the year ended 30 June 2018

	Consolidated entity	
	30 June 2018	30 June 2017
Notes	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(5,644,802)	(4,006,191)
Interest received	47,777	35,429
Interest paid	(1,290)	-
Research and development tax incentive	1,136,765	1,297,738
Net cash (outflow) from operating activities	(4,461,550)	(2,673,024)
11(a)		
Cash flows from investing activities		
Payments for property, plant and equipment	(3,331)	(2,034)
Payments for intellectual property	(457,345)	-
Payments for term deposits	-	(306)
Net cash (outflow) from investing activities	(460,676)	(2,340)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	8,778,191	6,248,806
Capital raising costs	(848,108)	(320,674)
Net cash inflow from financing activities	7,930,083	5,928,132
Net increase in cash and cash equivalents		
	3,007,857	3,252,768
Cash and cash equivalents at the beginning of the financial year	4,814,200	1,582,583
Effects of exchange rate changes on cash and cash equivalents	-	(21,151)
Cash and cash equivalents at end of period	7,822,057	4,814,200

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

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1 Segment information

(a) Description of segments and principal activities

Management has determined, based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions, that the group has one reportable segment being the research, development and commercialisation of health technologies.

(b) Reportable segment profit/(loss)

Profit/(loss) is disclosed below based on the reportable segment:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Result from research, development and commercialisation	(2,724,073)	(1,626,794)
Result from other corporate activities	(1,209,568)	(879,777)
Total segment profit/(loss) before income tax	(3,933,641)	(2,506,571)

(c) Segment revenue

Revenue is disclosed below based on the reportable segment:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Revenue from research, development and commercialisation	1,840,786	1,164,049
Revenue from other corporate activities	94,327	35,429
Total segment revenue	1,935,113	1,199,478

(d) Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Assets from research, development and commercialisation	8,924,814	7,763,448
Assets from other corporate activities:		
Cash and cash equivalents	7,822,057	4,814,200
Property, plant and equipment	3,898	3,247
Other corporate assets	163,506	96,670
Total segment assets	16,914,275	12,677,565

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1 Segment information (continued)

(e) Segment liabilities

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Liabilities from research, development and commercialisation	985,450	985,450
Liabilities from other corporate activities:		
Trade and other payables	342,534	232,041
Other corporate liabilities	110,812	65,452
Total segment liabilities	1,438,796	1,282,943

2 Revenue and expenses

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Revenue		
Interest income	94,327	35,429
Other income		
Research and development tax incentive	1,840,786	1,164,049
Expenses included in net profit/(loss) before income tax		
Depreciation expense	2,680	1,743
Share-based payments	84,415	116,520
Superannuation	44,732	41,095
	131,827	159,358

3 Income tax expense

The group has not commenced significant trading. At its current stage of operational development the group is not in a position to satisfy the recognition criteria of AASB 112 *Income Taxes* to bring to account the benefit of its tax losses. Accordingly, no current or deferred income tax benefits have been brought to account.

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3 Income tax expense (continued)

(a) Income tax expense

	Consolidated entity	
	30 June 2018 \$	30 June 2017 \$
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior periods	-	-
Income tax expense	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated entity	
	30 June 2018 \$	30 June 2017 \$
Loss from continuing operations before income tax benefit	(3,933,641)	(2,506,571)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(1,081,751)	(689,307)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	(506,216)	(320,113)
Non-allowable expenses	739,190	738,216
Tax losses and other timing differences for which no deferred tax asset is recognised	848,777	271,204
Income tax expense	-	-

(c) Unrecognised temporary differences

	Consolidated entity	
	30 June 2018 \$	30 June 2017 \$
Unused tax losses and temporary differences for which a deferred tax asset has not been recognised	20,076,623	16,990,160
Potential tax benefit at 27.5% (2017: 27.5%)	5,521,071	4,672,294

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4 Trade and other receivables

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	\$
Australian Taxation Office	443	53,710
Research and development tax incentive	1,867,714	1,163,693
Other receivables	46,550	-
	1,914,707	1,217,403

The group did not have any receivables that were past due as at 30 June 2018 (30 June 2017: nil). The group did not consider a credit risk on the aggregate balances as at 30 June 2018.

5 Intangible assets

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	\$
In-process, research and development (acquired)		
HER-Vaxx	6,599,755	6,599,755
PD-1	130,670	-
Non PD-1	326,675	-
	7,057,100	6,599,755

(a) HER-Vaxx

As per AASB 138 *Intangible Assets*, the group's investment in Biolife Science Qld Pty Ltd is measured at initial cost, less any accumulated amortisation and accumulated impairment loss. The group controls the asset via way of a 100 percent share ownership. In addition, the group holds various worldwide patents granted over the technology (refer to intellectual property report on page) and the board believes that the investment in Biolife will generate future economic benefits.

(i) Impairment tests for intangible assets with are not yet available for use

In-process research and development acquired is considered to be not yet available for use on the basis that it is incomplete and cannot be used in its current form, refer to note 22(x)(i). The recoverable amount of in-process research and development was assessed at the end of the financial year based on the fair value less costs to sell.

In determining the fair value less costs to sell, consideration is given to the following indicators:

- The market capitalisation of Imugene Limited on the Australian Securities Exchange on the impairment testing date of 30 June 2018 in excess of the net book value of assets;
- The scientific results and progress of the trials;
- Comparisons with companies in a similar field of development and similar stage; and
- Overall growth in the oncology sector and recent \$502 million acquisition of Viralytics Limited by Merck. Viralytics focuses on the development and commercialisation of oncolytic immunotherapies, currently undergoing Phase I and Phase II clinical trials.

(ii) Amortisation

The board have assessed that the HER-Vaxx patents, licenses and other rights are not amortised until they are ready for use, i.e. commercialised.

5 Intangible assets (continued)

(b) PD-1 and Non PD-1

On 7 June 2018, the group signed an exclusive, worldwide licence to the entire body of cancer vaccine work and intellectual property developed by Professor Pravin T. P. Kaumaya of the Ohio State University Wexner Medical Center, the Comprehensive Cancer Center - Arthur G. James Cancer Hospital, the Richard J. Solove Research Institute and Mayo Clinic.

The substantial intellectual property estate licensed comprises a broad patent portfolio including six patent families comprising 16 issued patents or pending applications for compositions of matter and/or methods of use of a large range of B-cell peptide and cancer vaccines comprising PD-1, HER1, HER2, HER3, VEGF, IGF-1R, CD28 peptides and combinations thereof.

It is the board's expectation that the acquired portfolio of intellectual property will generate future economic benefits for the group. The amounts recognised as intangible assets relate to the upfront license fees paid in respect of the licence agreements; \$130,670 for PD-1, and \$326,675 for Non PD-1. The net present value of future maintenance fees, annual licence fees, milestone fees, royalties, and sublicense fees have not been capitalised in accordance with the recognition criteria of AASB 138. The term of the agreements, including the schedule of future payments is until the last to expire of the patent rights; 2038 for the last of the PD-1 patents, and 2035 for Non PD-1. Fair values for the future payments (which are contingent on the occurrence of future events and timings over the term of the agreements) cannot be reliably measured in accordance with the standard. Consequently, these future payments are instead accounted for as either contingent liabilities, outlined in note 15, or as commitments, outlined in note 16.

(i) Impairment tests for intangible assets with are not yet available for use

The PD-1 and Non PD-1 patents are considered to be not yet available for use on the basis that they are incomplete and cannot be used in their current form, refer to note 22(x)(i). The recoverable amount of this intellectual property at the end of the financial year was considered to be the same as its cost, due to the short time frame since establishment of the licencing agreement (less than one month). Management assessed that there were no indicators for impairment.

(ii) Amortisation

The board have assessed that the HER-Vaxx patents, licenses and other rights are not amortised until they are ready for use, i.e. commercialised.

6 Trade and other payables

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Current liabilities		
Trade payables	288,507	16,174
Other payables	54,027	215,867
	342,534	232,041

7 Provisions

	Consolidated entity					
	30 June 2018			30 June 2017		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Annual leave	95,706	-	95,706	65,452	-	65,452
Long service leave	-	15,106	15,106	-	-	-
	95,706	15,106	110,812	65,452	-	65,452

A provision has been recognised for employee entitlements relating to long service leave (LSL). In calculating the present value of future cash flows in respect of the provision, the probability of LSL being taken is based on managements' expectations of employee retention.

8 Other financial liabilities

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Non-current		
Expected future royalties payable (HER-Vaxx)	985,450	985,450

The expected future royalties payable represents the fair value estimate of royalties payable to Biolife Science Forschungs-und Entwicklungsges mbH (BSFE) on commercial income arising from HER-Vaxx. This is based on 18 percent of fair value of the IP at the time of acquisition of \$5.5 million. There has been no change in the future royalties as the carrying value is based on the initial consideration, and no reliable information has come to light that would change the valuation assumptions.

9 Contributed equity

	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	No.	\$	No.	\$
Ordinary shares - fully paid	2,854,882,382	44,285,931	2,365,238,659	36,335,357
Options	306,959,162	-	59,000,000	-

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9 Contributed equity (continued)

(a) Share capital

(i) Movements in ordinary shares

Details	Number of shares	\$
Balance at 1 July 2016	1,732,134,740	30,407,225
Issue at \$0.0075 each to sophisticated investors	259,820,210	1,948,652
Issue at \$0.0075 each to sophisticated investors	173,213,474	1,299,101
Issue at \$0.015 each by exercise of options	11,094	166
Issue at \$0.015 each by exercise of options	261,441	3,922
Issue at \$0.015 each by exercise of options	22,744,148	341,162
Issue at \$0.015 each by exercise of options	4,942,221	74,133
Issue at \$0.015 each by exercise of options	14,377,980	215,670
Issue at \$0.015 each by exercise of options	74,400,017	1,116,000
Issue at \$0.015 each by exercise of options	83,333,334	1,250,000
Less: Transaction costs arising on share issue	-	(320,674)
Balance at 30 June 2017	2,365,238,659	36,335,357
Issue at \$0.01 each by exercise of options	4,500,000	45,000
Transfer from share-based payment reserve upon exercise of options	-	20,491
Issue at \$0.018 each to sophisticated investors	372,222,223	6,700,000
Issue at \$0.018 each pursuant to rights issue	112,846,288	2,031,235
Issue at \$0.026 each by exercise of options	75,212	1,956
Less: Transaction costs arising on share issue	-	(848,108)
Balance at 30 June 2018	2,854,882,382	44,285,931

(ii) Rights of each type of share

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the group in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held. The ordinary shares have no par value.

(b) Options (share-based payment reserve)

(i) Movement in options

Details	Number of options	\$
Balance at 1 July 2016	430,177,356	1,096,320
Exercise of unlisted options at \$0.015 each	(200,070,235)	-
Issue of unlisted options (ESOP) at \$0.02 each	10,000,000	78,000
Expiration of options	(181,107,121)	(10,816)
Amortised share-based payments for options issued in prior periods	-	38,520
Balance at 30 June 2017	59,000,000	1,202,024

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9 Contributed equity (continued)

(b) Options (share-based payment reserve) (continued)

Exercise of unlisted options (ESOP) at \$0.01 each	(4,500,000)	(20,491)
Issue of unlisted options (ESOP) at \$0.02 each	5,000,000	33,342
Issue of unlisted options (ESOP) at \$0.025 each	5,000,000	12,293
Issue of listed options (IMUOA rights issue)	242,534,374	-
Exercise of listed options (IMUOA) at \$0.026 each	(75,212)	-
Reclassify expired options to accumulated losses	-	(966,003)
Amortised share-based payments for options issued in prior periods	-	38,780
Balance at 30 June 2018	306,959,162	299,945

10 Share-based payments

The following share-based payment arrangements were entered into during the financial year ended 30 June 2018 due to new options granted and vested:

Grant date	Expiry date	Balance at start of year	Exercise price (\$)	Granted	Exercised	Vested	Balance at end of year
13-Sep-2017	30-Jun-2020	-	0.020	2,500,000	-	2,500,000	2,500,000
13-Sep-2017	30-Jun-2020	-	0.025	2,500,000	-	-	2,500,000
17-Sep-2017	30-Jun-2020	-	0.020	2,500,000	-	2,500,000	2,500,000
17-Sep-2017	30-Jun-2020	-	0.025	2,500,000	-	-	2,500,000

For the options granted during the financial year ended 30 June 2018, the valuation model inputs used to determine the fair value at the grant date are outlined below:

Grant date	Expiry date	Share price at grant date (\$)	Exercise price (\$)	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date (\$)
13-Sep-2017	30-Jun-2020	0.015	0.020	100%	0.00%	2.01%	21,252
13-Sep-2017	30-Jun-2020	0.015	0.025	100%	0.00%	2.01%	19,564
17-Sep-2017	30-Jun-2020	0.016	0.020	100%	0.00%	2.08%	23,204
17-Sep-2017	30-Jun-2020	0.016	0.025	100%	0.00%	2.08%	21,414

The assessed fair value of the options granted during the financial year ended 30 June 2018 is split into four tranches amortised over the following vesting periods:

- **Tranche 1:** vested to 30 September 2017
- **Tranche 2:** vested to 30 June 2018
- **Tranche 3:** vested to 31 December 2018
- **Tranche 4:** vested to 31 March 2019

11 Cash flow information

(a) Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated entity	
	30 June 2018 \$	30 June 2017 \$
Loss for the year	(3,933,641)	(2,506,571)
<i>Adjustment for:</i>		
Depreciation and amortisation	2,680	1,743
Share-based payments	84,415	116,520
<i>Change in operating assets and liabilities:</i>		
Movement in trade and other receivables	(697,304)	93,032
Movement in other current assets	(73,553)	(2,579)
Movement in trade and other payables	110,493	(404,130)
Movement in provisions	45,360	28,961
Net cash (outflow) from operating activities	(4,461,550)	(2,673,024)

(b) Non-cash investing and financing activities

There have been no non-cash investing and financing activities during the current and prior financial year.

12 Financial risk management

The group's activities expose it to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed.

A written policy has been adopted for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the group's functional currency. The group has exposure to foreign exchange risk in the currency cash reserves it holds to meet its foreign currency payments. The group does not make use of derivative financial instruments to hedge foreign exchange risk.

The following financial assets and liabilities are subject to foreign currency risk. The amounts in the table below are segmented into columns stating the original currency, which are displayed in Australian dollars (AUD) at year-end spot rates.

Consolidated entity	30 June 2018				30 June 2017
	CHF \$	EUR \$	GBP \$	USD \$	USD \$
Cash and cash equivalents	-	-	-	318	4,651
Trade and other payables	26,063	25,256	1,605	594,907	-
Total exposure	26,063	25,256	1,605	595,225	4,651

12 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

The group has conducted a sensitivity analysis of its exposure to foreign currency risk. The group is currently exposed to the Swiss franc (CHF), Euro (EUR), pound sterling (GBP), and United States dollar (USD). The sensitivity analysis is conducted on a currency by currency basis using the sensitivity analysis variable, which is based on the average annual movement in exchange rates over the past five years at year-end spot rates. The variable for each currency are listed below:

- CHF: 4.5%
- EUR: 2.4%
- GBP: 9.1%
- USD: 6.2% (2017: 7.2%)

The results of this sensitivity analysis are shown in the table below:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
CHF/AUD exchange rate - increase 4.5%	1,173	-
CHF/AUD exchange rate - decrease 4.5%	(1,173)	-
EUR/AUD exchange rate - increase 2.4%	606	-
EUR/AUD exchange rate - decrease 2.4%	(606)	-
GBP/AUD exchange rate - increase 9.1%	146	-
GBP/AUD exchange rate - decrease 9.1%	(146)	-
USD/AUD exchange rate - increase 6.2% (2017: 7.2%)	36,904	335
USD/AUD exchange rate - decrease 6.2% (2017: 7.2%)	(36,904)	(335)

(ii) Interest rate risk

The group is exposed to interest rate risks from the cash and cash equivalents held, which expose the group to cash flow interest rate risk. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Financial instruments with cash flow risk		
Cash and cash equivalents	7,822,057	4,814,200
Other financial assets	20,306	20,306
	7,842,363	4,834,506

There has been no change in the group's exposure to interest rate risk or the manner in which it manages and measures its risk in the financial year ended 30 June 2018.

Sensitivity

An increase or decrease of 0.21 percent (2017: 0.32 percent) in interest rates at the reporting date would have an increase/(decrease) effect on after tax loss and equity as outlined in the table below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the financial year ended 30 June 2017.

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12 Financial risk management (continued)

(a) Market risk (continued)

The use of 0.21 percent (2017: 0.32 percent) was determined based on analysis of the Reserve Bank of Australia cash rate change, on an absolute value basis, at 30 June 2018 and the previous four balance dates. The average cash rate at these balance dates was 1.85 percent (2017: 2.10 percent). The average change to the cash rate between balance dates was 11.18 percent (2017: 15.46 percent). By multiplying these two values, the interest rate risk was derived.

	Consolidated entity	
	30 June 2018 \$	30 June 2017 \$
Interest rates - increase by 21 basis points (2017: 32 basis points)	16,469	15,470
Interest rates - decrease by 21 basis points (2017: 32 basis points)	(16,469)	(15,470)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has no significant concentration of credit risk with any single counterparty or group of counterparties, and it is not the group's policy to hedge credit risk. The group ensures that surplus cash is invested with financial institutions that maintain a high credit rating.

There has been no significant change in the group's exposure to credit risk in the financial year ended 30 June 2018. The carrying amount of the group's financial assets represent the maximum credit exposure.

(c) Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk as follows:

- Preparation of cash flow analyses related to its operating, investing and financing activities;
- Obtaining funding from a variety of sources;
- Managing credit risk related to financial assets; and
- Investing surplus funds with reputable financial institutions.

(i) Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contracted undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months \$	6 - 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
At 30 June 2018							
Trade and other payables	342,534	-	-	-	-	342,534	342,534
Other financial liabilities	-	-	-	985,450	-	985,450	985,450
Total	342,534	-	-	985,450	-	1,327,984	1,327,984

12 Financial risk management (continued)

(c) Liquidity risk (continued)

At 30 June 2017

Trade and other payables	232,041	-	-	-	-	232,041	232,041
Other financial liabilities	-	-	-	985,450	-	985,450	985,450
Total	232,041	-	-	985,450	-	1,217,491	1,217,491

(d) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the group may issue new shares or reduce its capital, subject to the provisions of the group's constitution. The capital structure of the group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the board by the group's management, the board monitors the need to raise additional equity from the equity markets.

(e) Fair value estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values determined in accordance with the accounting policies disclosed in note 22.

(f) Financial instruments measured at fair value

The financial instruments recognised at fair value in the consolidated statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities;
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair values of the group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Recurring fair value measurements	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Financial assets						
Bank deposit	20,306	20,306	-	-	-	-
Financial liabilities						
Expected future royalties payable (HER-Vaxx)	-	-	-	-	985,450	985,450

13 Interest in other entities

The parent entity has two wholly owned subsidiaries:

- Biolife Science Qld Pty Ltd, a company limited by shares that was incorporated and is domiciled in Australia, and
- Lingual Consegna Pty Ltd, a company limited by shares that was incorporated and is domiciled in Australia.

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14 Parent entity financial information

Set out below is the supplementary information about the parent entity.

(a) Summary financial information

	30 June 2018 \$	30 June 2017 \$
Current assets	9,817,915	6,039,303
Non-current assets	5,087,663	4,629,667
Total assets	14,905,578	10,668,970
Current liabilities	438,242	297,493
Non-current liabilities	15,106	-
Total liabilities	453,348	297,493
Net assets	14,452,230	10,371,477
Contributed equity	44,285,931	36,335,357
Share-based payment reserve	299,945	1,202,024
Accumulated losses	(30,133,646)	(27,165,904)
Total equity	14,452,230	10,371,477
	30 June 2018 \$	30 June 2017 \$
Profit or loss for the period	(2,312,909)	(1,071,015)
Total comprehensive income	(2,312,909)	(1,071,015)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

(c) Determining the parent entity information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements as disclosed in note 22.

15 Contingencies

As outlined in note 5 and the review of operations and activities on pages 3 to 7 of this annual report, the group signed an exclusive licence with the Ohio State University and Mayo Clinic to 16 issued patents or pending applications comprising PD-1 and Non PD-1 intellectual property. As a result, the group has incurred liabilities contingent on future events in respect of each agreement (i.e. the separate PD-1 and Non PD-1 agreements):

- **Royalties on sales:** 3 percent of sales where annual turnover is less than US\$1 billion; 4 percent where annual turnover is less than US\$1 billion
- **Milestone fees:** Up to US\$250,000 payable upon dosing of the first patient in each phase of a clinical trial; US\$1,000,000 payable upon first commercial sale.
- **Annual licence fees:** US\$250,000 per annum payable contingent on first commercial sale

15 Contingencies (continued)

- **Sublicence fees:**
 - 25 percent of sublicensing consideration payable prior to first dosing of a patient in a Phase I clinical trial
 - 15 percent of sublicensing consideration payable prior to first dosing of a patient in a Phase II clinical trial
 - 10 percent of sublicensing consideration payable prior to first dosing of a patient in a Phase III clinical trial
 - 8 percent of sublicensing consideration payable after first dosing of a patient in a Phase III clinical trial

There are no other contingencies that are not disclosed elsewhere in this report.

16 Commitments

On 13 December 2016, the group announced it had entered into an agreement with Baker IDI Heart and Diabetes Institute Holdings Limited where a contingent liability exists relating to the commercialisation of related intellectual property. As at 30 June 2018, no liability was recognised on the basis that commercialised income cannot be reliably measured.

As outlined in note 5 and the review of operations and activities on pages 3 to 7 of this annual report, the group signed an exclusive licence with the Ohio State University and Mayo Clinic to 16 issued patents or pending applications comprising PD-1 and Non PD-1 intellectual property. As a result, the group has incurred the following commitments in respect of each agreement (i.e. the separate PD-1 and Non PD-1 agreements):

- **Maintenance fees:** Up to US\$100,000 payable annually each anniversary of the agreement, until the date of first commercial sale.

In a third agreement, separate to the PD-1 and Non PD-1 licencing agreements, the group has a commitment to pay US\$546,000 per annum to cover ongoing research costs by the Ohio State University for the financial years ending 30 June 2019, 2020 and 2021. These payments are for work yet to be performed as at 30 June 2018.

There are no other commitments that are not disclosed elsewhere in this report.

17 Events occurring after the reporting period

On 13 July 2018, Imugene Limited completed an equity raising of A\$20.1 million by way of a rights issue and private placement.

On 20 July 2018, 15 million options were granted to a member of KMP, Dr Nicholas Ede. Issued in three tranches of 5 million each, these options are exercisable upon completion of internal R&D milestones at \$0.04, \$0.042, and \$0.045 each.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

18 Related party transactions

(a) Parent entity

Imugene Limited, a company limited by shares that was incorporated in and domiciled in Australia is the parent entity of the group. The financial information for the parent entity is disclosed in note 14.

(b) Subsidiaries

Interests in subsidiaries are set out in note 13.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19 and the remuneration report within the directors' report.

18 Related party transactions (continued)

(d) Receivable from and payable to related parties

There were no receivables from or payables to related parties at the current and previous reporting date.

(e) Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

19 Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Short-term employee benefits	788,617	868,398
Post-employment benefits	41,528	41,095
Long-term benefits	15,081	-
Share-based payments	19,847	116,520
	<u>865,073</u>	<u>1,026,013</u>

Related party transactions are set out in note 18.

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	55,000	50,000
Total remuneration for audit and other assurance services	<u>55,000</u>	<u>50,000</u>

21 Loss per share

(a) Reconciliation of loss used in calculating loss per share

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
<i>Basic and diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating loss per share:		
From continuing operations	<u>3,933,641</u>	<u>2,506,572</u>

21 Loss per share (continued)

(a) Reconciliation of loss used in calculating loss per share (continued)

(b) Weighted average number of shares used as the denominator

	Consolidated entity	
	2018	2017
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>2,637,869,758</u>	<u>2,069,024,769</u>

The outstanding options as at 30 June 2018 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

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22 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the group consisting of Imugene Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Imugene Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Imugene Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis.

(c) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

(b) Going concern

Some of the risks inherent in the development of pharmaceutical products include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development or may infringe intellectual property rights of other parties, and obtaining the necessary drug clinical regulatory authority approvals. Furthermore, a particular project may fail the research and the clinical development process through lack of efficacy or safety, or may be stopped or abandoned due to strategic imperatives including an assessment that the projects will not deliver a sufficient return on investment or have been superseded by newer competitive products or technologies. There is a risk that the group will be unable to find suitable development or commercial partners for its projects, and that these arrangements may not generate a material return for the group.

Based on current budget forecast assumptions, the group is in a position to meet future commitments in the current business cycle and pay its debts as and when they fall due. Furthermore, the group is able to progress its research and development programs for at least the next 12 months.

The annual report has been prepared on a going concern basis. Accordingly, the annual report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the group not continue as a going concern.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Limited as at 30 June 2018 and the results of all subsidiaries for the year ended.

Subsidiaries are all entities over which the group has control. The group controls an entity when they are exposed to, or have rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

22 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is Imugene Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(f) Revenue recognition

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

(i) Interest income

Interest income is recognised using the effective interest method.

(ii) Research and development tax incentive

The research and development tax incentive is recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount of tax incentive can be reliably measured.

22 Summary of significant accounting policies (continued)

(g) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

(h) Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not available for use, or more frequently when an indication of impairment arises during the reporting period.

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The company and its wholly-owned Australian resident entities are members of a tax consolidated group under Australian taxation law. The company is the head entity in the tax consolidated group. Entities within the tax consolidated group have entered into a tax funding agreement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, the company and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the head entity.

(j) Impairment of assets

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

22 Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

(k) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

An allowance for a doubtful debt is made when there is objective evidence that the group will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the financial asset is past due and whether there is any other information regarding increased credit risk associated with the financial asset. Bad debts which are known to be uncollectible are written off when identified.

(m) Investments and other financial assets

Amounts referring to 'other financial assets' is classified as a non-cash investing item as the item relates to a security deposit for the company's credit card facility which has been determined to be not-at-call.

(n) Intangible assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) In-process research and development

In-process research and development that has been acquired as part of a business acquisition is considered to be not yet available for use on the basis that it is incomplete and cannot be used in its current form. Intangible assets that are not yet available for use are not amortised but rather are tested for impairment annually, or whenever events or circumstances present an indication of impairment.

22 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

In process research and development will continue to be tested for impairment until the related research and development efforts are either completed or abandoned. Upon completion of the related research and development efforts, management determines the remaining useful life of the intangible assets and amortises them accordingly. In order for management to determine the remaining useful life of the asset, management would consider the expected flow of future economic benefits to the group with reference to the product life cycle, competitive landscape, obsolescence, market demand, any remaining patent useful life and various other relevant factors.

In the case of abandonment, the related research and development efforts are considered impaired and the asset is fully expensed.

(ii) Patents, licenses and other rights costs

Patent costs are expenses as incurred.

Patents, licenses and other rights are recognised at cost on acquisition in the event of a business combination. Patents, licenses and other rights have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The carrying value of an intangible asset arising from patent, licenses and other rights expenditure is tested for impairment annually when the asset is not available for use, or more frequently when an indication of impairment arises during the reporting period.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services. Licensing fees are recognised as an expense when it is confirmed that they are payable by the group.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

22 Summary of significant accounting policies (continued)

(q) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Short-term employee benefits

Provision is made for the group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the consolidated statement of financial position. The group's obligations for employees' annual leave entitlements are recognised as provisions in the consolidated statement of financial position.

(ii) Long service leave

The liability for long service leave is recognised for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Loss per share

(i) Basic earnings per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

22 Summary of significant accounting policies (continued)

(t) Loss per share (continued)

(ii) Diluted earnings per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Parent entity financial information

The financial information for the parent entity, Imugene Limited, disclosed in note 14 has been prepared on the same basis as consolidated financial statements.

(w) New accounting standards and interpretations

(i) Adopted

The group elected to adopt the following standards early:

- AASB 9 *Financial Instruments*;
- AASB 15 *Revenue from Contracts with Customers*;
- AASB 16 *Leases*, and
- AASB 2016-5 *Classification and Measurement of Share-based Payment Transactions*.

22 Summary of significant accounting policies (continued)

(w) New accounting standards and interpretations (continued)

Title	Nature of change	Impact
AASB 9 <i>Financial Instruments</i>	The new standard introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The adoption of AASB 9 did not have any impact on reported amounts in these financial statements. In coming to this conclusion, the group performed a detailed assessment of the impact on each class of financial instrument.
AASB 15 <i>Revenue from Contracts with Customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	The adoption of AASB 15 did not have any impact on reported amounts in these financial statements as the group did not generate revenue from contracts with customers.
AASB 16 <i>Leases</i>	AASB 16 requires almost all leases to be recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.	The adoption of AASB 16 did not have any impact on reported amounts in these financial statements as the group did not lease any assets.
AASB 2016-5 <i>Classification and Measurement of Share-based Payment Transactions</i>	This AASB has amended AASB 2 <i>Share-based Payment</i> to address: a. The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and c. The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	The adoption of AASB 2016-5 did not have any impact on reported amounts in these financial statements as the group did not: a. Enter into cash-settled share-based payments; b. Have withholding tax obligations on share-based payments; and c. Modify the terms and conditions of share-based payments from cash-settled to equity-settled.

(ii) Not yet adopted

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

22 Summary of significant accounting policies (continued)

(x) Critical estimates and judgements

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of intangible assets

In-process research and development assets that are not yet available for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment analysis is performed annually at the end of the financial year on fair value less costs to sell.

(ii) Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

(iii) Expected future royalties payable (HER-Vaxx)

The liability represents the fair value estimate of royalties payable to BSFE on commercial income arising from HER-Vaxx. For more details refer to note 8.

Imugene Limited
Directors' declaration
For the financial year ended 30 June 2018

In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 62 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 22(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

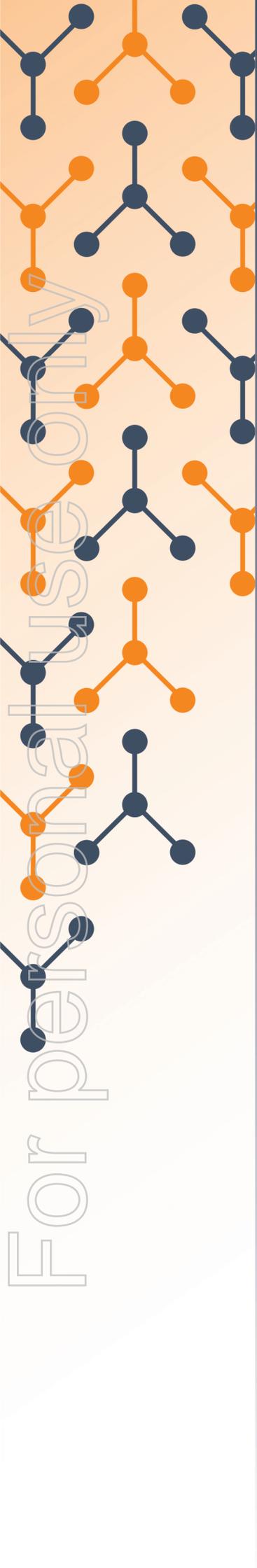
The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.



Mr Paul Hopper
Executive Chairman

Melbourne
31 August 2018



Independent auditor's report to the members

Independent Auditor's Report

To the Members of Imugene Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Imugene Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Biolife Intangible Assets – Note 5</p> <p>The Company holds at 30 June 2018 an intangible asset with a value of \$6,599,755. This asset is associated with the development of the Her-Vaxx product. This product is not yet at a position for commercialisation to the market as it is currently in the trial phase, and accordingly has not yet begun its useful life. As this asset is not currently being amortised, management are required to demonstrate that the carrying value of the intangible asset is supportable by reference to its value in use or fair value less costs to sell.</p> <p>In order to satisfy the impairment considerations under AASB 136 <i>Impairment of Assets</i> management are required to develop assumptions for the recoverable amount of the asset to support the carrying value of the intangible assets, this involves significant judgment.</p> <p>As the Biolife assets are still in the development phase and have not commercialised, management are unable to accurately calculate the fair value through a discounted cash flow model and as such the recoverable amount of the asset was determined based on a fair value less cost to sell basis.</p> <p>This area is a key audit matter due to the judgements and estimates associated with the analysis.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining management’s impairment analysis memorandum; • validating appropriateness of management’s analysis of the recoverable amount; • obtaining management reports for comparable company sales and valuations. Verifying that management is qualified to perform the analysis by: <ul style="list-style-type: none"> - reviewing comparable company sales included in management’s analysis and verifying accuracy through corroborating to external sources; and - reviewing comparable company’s included in management’s analysis and validating mathematical accuracy of valuation through recalculation of the market capitalisation on respective stock exchanges. - Applying professional scepticism through assessing if there were any negative or conflicting data of comparable companies not included in managements report. • considering if any indicators of impairment such as results of recent trials or change in factors that underpinned the initial valuation of the Biolife asset; • considering other qualitative factors including market valuation of the company compared to its net assets, results of recent trial results, other public information available or press releases; and • reviewing the adequacy of the disclosures in the financial statements.

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Key audit matter

R&D Tax Rebate – Note 4

The Group receives a 43.5% refundable tax offset of eligible expenditure under the Research and Development (R&D) Tax Incentive scheme if its turnover is less than \$20 million per annum, provided it is not controlled by income tax exempt entities.

An R&D plan is filed with AusIndustry in the following financial year, and based on this filing, the Group receives the incentive in cash. Management performed a detailed review of the Company's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. For the year ending 30 June 2018 the R&D amount being claimed is \$1,867,714.

This area is a key audit matter due to the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.

How our audit addressed the key audit matter

Our procedures included, amongst others:

- obtaining the FY18 R&D rebate calculations prepared by management's expert and performed the following audit procedures:
 - verifying that management's expert is qualified to perform the calculation;
 - developing an understanding of the model, identifying and assessing the key assumptions in the calculation;
 - reviewing included expenses for reasonableness; and
 - testing the mathematical accuracy of the accrual.
- comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax claim;
- comparing the nature of the R&D expenditure included in the current year estimate to the prior year estimate;
- considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria;
- assessing the eligible expenditure used to calculate the estimate to the expenditure recorded in the general ledger;
- inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims;
- engaging with our R&D specialist to review the reasonableness of the calculation; and
- assessing the adequacy of financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 13 to 19 of the Annual Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Imugene Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

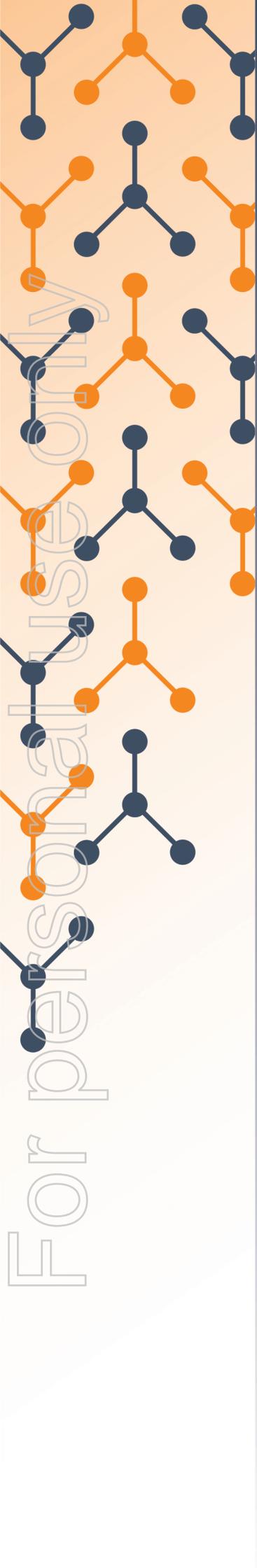


Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 August 2018



Shareholder information

Imugene Limited
Shareholder information
For the financial year ended 30 June 2018
(continued)

The shareholder information set out below was applicable as at 14 September 2018.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares	
	No. of holders	Total units
1 - 1000	561	171,819
1,001 - 5,000	212	686,017
5,001 - 10,000	205	1,566,067
10,001 - 100,000	1,677	81,287,072
100,001 and over	2,223	3,516,134,545
	4,878	3,599,845,520

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
NATIONAL NOMINEES LIMITED	240,215,972	6.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	166,479,689	4.62
DR NICHOLAS SMITH	86,000,000	2.39
J P MORGAN NOMINEES AUSTRALIA LIMITED	79,146,980	2.20
SARAH CAMERON	60,000,000	1.67
TISIA NOMINEES	55,263,159	1.54
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	51,496,853	1.43
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	44,510,188	1.24
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	37,897,729	1.05
MR MARK PHILLIP JUAN	34,000,000	0.94
JEM INVESTMENT FUND HOLDINGS PTY LTD <JEM INVEST FUND FAMILY A/C>	33,100,000	0.92
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	31,500,000	0.88
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	30,000,000	0.83
JOHN DAHLSEN SUPERANNUATION FUND PTY LTD	29,256,142	0.81
KILINWATA INVESTMENTS PTY LTD	28,379,050	0.79
MOREGLADE PTY LTD	28,062,500	0.78
MR DAVID RUSSELL STEWART & MRS ADRIENNE RUTH STEWART	27,689,000	0.77
DR ROGER ASTON	27,562,500	0.77
MR CHARLES EDWYN WALKER	26,020,370	0.72
MR ANDREW MURRAY GREGOR	25,151,183	0.70
	1,141,731,315	31.72

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Imugene Limited
Shareholder information
For the financial year ended 30 June 2018
(continued)

B. Equity security holders (continued)

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Imugene Limited Employee Option Plan to take up ordinary shares	74,500,000	5

Three holders have unquoted options each representing more than 20% of these securities:

- Ms Leslie Chong: 27,000,000
- Mr Axel Hoos: 25,000,000
- Dr Nicholas Ede: 15,000,000

C. Substantial holders

Substantial holders in the company are set out below:

	Number held
NATIONAL NOMINEES LIMITED	240,215,972

D. Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares:

Holders	Units
1,316	\$184,398

E. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares: on a show of hands every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options: no voting rights.

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Imugene Limited
Corporate directory

Directors

Mr Paul Hopper
Executive Chairman

Ms Leslie Chong
Chief Executive Officer and Managing Director

Mr Charles Walker
Non-Executive Director

Dr Axel Hoos
Non-Executive Director

Secretary

Mr Phillip Hains

Mr Justyn Stedwell

Principal registered office in Australia

Level 3, 62 Lygon Street
Carlton VIC 3053
Australia
+61 (0)3 9824 5254

Share and debenture register

Automatic Registry Services
Level 29
201 Elizabeth Street
Sydney NSW 2000
+61 (0)2 9698 5414

Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008

Solicitors

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

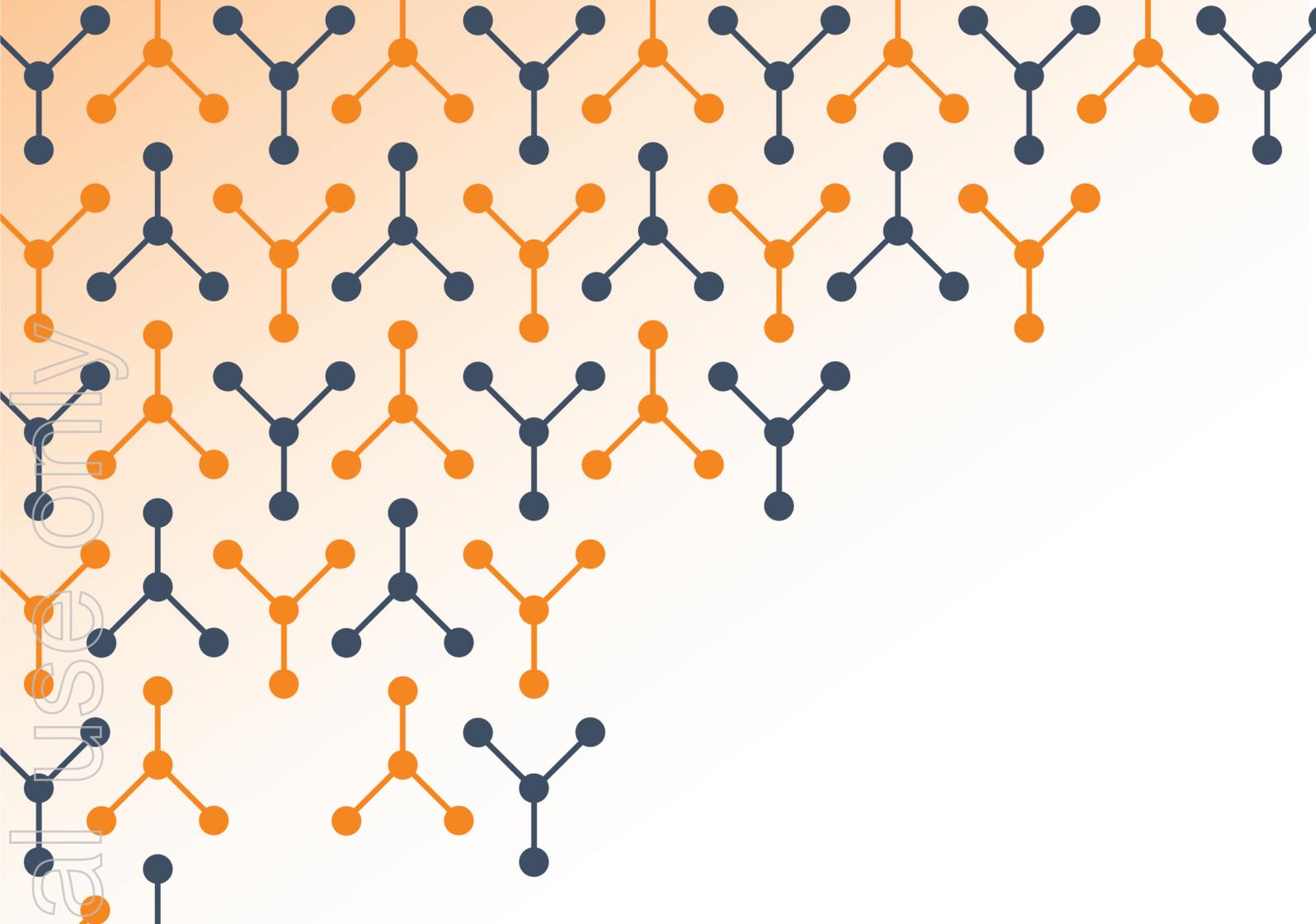
Bankers

National Australia Bank
Level 2
330 Collins Street
Melbourne VIC 3000

Website

www.imugene.com

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Imugene Limited
Annual report
For the year ended 30
June 2018



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