

Imugene Limited

Appendix 4D

Half-year Report

Half-year 31 December 2016

Name of entity
Imugene Limited

ABN or equivalent company
reference

ABN 99 009 179 551

Half-year

31 December 2016
(Previous corresponding period: 31
December 2015)

Results for announcement to the market

				\$
Revenue for ordinary activities	Down	27.9%	to	13,651
Net loss after tax (from ordinary activities) for the period attributable to members	Up	45.0%	to	1,492,506
Net loss for the period attributable to members	Up	45.0%	to	1,492,506

Distributions

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-

Net tangible assets per security

	31 December 2016	30 June 2016
Net tangible asset	2,779,402	1,256,785
No. of shares	2,165,179,518	1,732,134,740
Net tangible asset per security (cents)	0.13	0.07

Explanation of results

Refer to section "Review of operations" under the Directors' Report.

Changes in controlled entities

None.

Other information required by Listing Rule 4.2A

None.

Interim review

The interim financial statements have been reviewed by the Company's independent auditor. An interim financial statements for the half-year period ended 31 December 2016 containing the independent auditor's review report is attached with this Appendix 4D.

Imugene Limited ABN 99 009 179 551
Interim report - 31 December 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Imugene Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your 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 half-year 31 December 2016.

Directors

Mr Paul Hopper
Mr Charles Walker
Dr Axel Hoos
Dr Anton Uvarov (resigned 31 October 2016)

Principal activities

The Consolidated Entity is an Australian immuno-oncology focused biopharmaceutical company developing HER2 +ve gastric and breast cancer vaccines. The group's lead product is HER-Vaxx, a proprietary HER2 +ve cancer vaccine that stimulates a polyclonal antibody response to HER2/neu.

Review of operations

Financial

The group reported a loss for the half-year ended 31 December 2016 of \$1,492,506 (2015: \$1,032,607). The loss is after fully expensing all research and development costs.

During the period \$3.2m was raised through the issuance of 433,033,684 new shares in the capital of the Company from new and existing sophisticated investors.

Funds will be directed to clinical development, manufacture and protection of the lead assets, the Mimotope technology and HER-Vaxx to increase our pipeline and B-Cell based therapy franchise.

Operations

The Company promoted Leslie Chong to Chief Executive Officer in November 2016.

Management are firmly focused on the development of the Mimotope program and the HER-Vaxx technology.

HER-Vaxx is for the treatment of patients with HER2+ cancers including gastric and breast. The Phase 1b/2 study with HER-Vaxx has commenced the clinical study and recruitment likely to take place in Q1, 2017. Mimotopes program will focus on identifying cancer targets including check point inhibitors in a variety of cancer indication. The first half of 2017 will be working to identify mimotope candidates whereby after mimotopes are nominated during the discovery process they undergo a rigorous screening process and test models to become a mimotope candidate. After selection of a mimotope candidate, it moves to the next stage of development of manufacturing and pre-clinical models before transitioning into the clinic.

During the period, the Company spent a total of \$1,665,299 in its operations, which includes manufacturing, pre-clinical and clinical studies and overheads.

Outlook

The Mimotope patent filing application was announced in December, 2016. This has added significantly to the Company's pipeline and prospects, and intensive work is underway to advance the program.

Management is closely focused on dosing our first patient in the HER-Vaxx Phase 1b/2 gastric cancer trial.

The Board thanks our shareholders, management and the Scientific Advisory Board for their support of the Company and we look forward to a successful 2017.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the group's state of affairs in future financial periods.

Company secretary

Mr Justyn Stedwell
Mr Phillip Hains

Insurance of officers

The company has indemnified the directors and executives of the company 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 period, the company paid a premium in respect of a contract to insure the directors and executives of the company 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.

Indemnity of auditors

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

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company 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 company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non-audit services

During the half-year ended 31 December 2016 the group did not engage the external auditor to provide non-audit services.

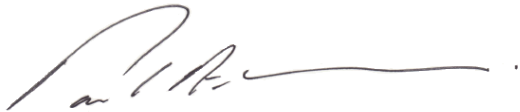
The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

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 4.

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

A handwritten signature in black ink, appearing to read 'Paul Hopper', with a long horizontal flourish extending to the right.

Mr Paul Hopper
Director

Melbourne
28 February 2017

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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 review of Imugene Limited for the half-year ended 31 December 2016, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A Cunningham
Partner - Audit & Assurance

Melbourne, 28 February 2017

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Imugene Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2016

	31 December	31 December
	2016	2015
Notes	\$	\$
Revenue		
Interest income	13,651	18,930
Other income	769,093	636,354
3	782,744	655,284
Expenses		
Business development	(88,270)	(149,473)
Commercialisation expenses	(17,953)	(13,348)
Corporate administration expenses	(498,545)	(498,375)
Research and development expenses	(1,647,346)	(1,049,333)
Depreciation expense	(713)	(488)
Foreign exchange gain/(loss)	(22,423)	23,126
Loss before income tax	(1,492,506)	(1,032,607)
Income tax expense	-	-
Loss for the period	(1,492,506)	(1,032,607)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	(1,492,506)	(1,032,607)
	Cents	Cents
Loss per share for profit attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.10)	(0.08)
Diluted loss per share	(0.10)	(0.08)

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

Imugene Limited
Consolidated statement of financial position
As at 31 December 2016

	31 December	30 June
	2016	2016
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	3,825,497	1,582,583
Trade and other receivables	784,868	1,312,631
Other assets	38,598	17,878
Total current assets	4,648,963	2,913,092
Non-current assets		
Other financial assets	20,306	20,000
Property, plant and equipment	4,277	2,956
Intangible assets	6,599,755	6,599,755
Total non-current assets	6,624,338	6,622,711
Total assets	11,273,301	9,535,803
LIABILITIES		
Current liabilities		
Trade and other payables	848,946	657,321
Provisions	59,748	36,491
Total current liabilities	908,694	693,812
Non-current liabilities		
Other financial liabilities	5 985,450	985,450
Total non-current liabilities	985,450	985,450
Total liabilities	1,894,144	1,679,262
Net assets	9,379,157	7,856,541
EQUITY		
Contributed equity	6 33,396,376	30,407,225
Share-based payments	7(a) 1,122,291	1,096,320
Retained earnings	(25,139,510)	(23,647,004)
Total equity	9,379,157	7,856,541

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

Imugene Limited
Consolidated statement of changes in equity
For the half-year 31 December 2016

	Share capital \$	Share-based payment reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	27,682,224	966,141	(20,916,362)	7,732,003
Loss for the period	-	-	(1,032,607)	(1,032,607)
Transactions with owners in their capacity as owners:				
Shares issued	3,000,000	-	-	3,000,000
Capital raising costs	(264,634)	-	-	(264,634)
Share-based payment expense	20,000	38,512	-	58,512
Options issued (1)	(30,365)	30,365	-	-
	<u>2,725,001</u>	<u>68,877</u>	<u>-</u>	<u>2,793,878</u>
Balance at 31 December 2015	30,407,225	1,035,018	(21,948,969)	9,493,274
Balance at 1 July 2016	30,407,225	1,096,320	(23,647,004)	7,856,541
Loss for the period	-	-	(1,492,506)	(1,492,506)
Transactions with owners in their capacity as owners:				
Shares issued	3,247,753	-	-	3,247,753
Capital raising costs	(258,768)	-	-	(258,768)
Share-based payment expense	-	25,971	-	25,971
Exercised of options	166	-	-	166
	<u>2,989,151</u>	<u>25,971</u>	<u>-</u>	<u>3,015,122</u>
Balance at 31 December 2016	33,396,376	1,122,291	(25,139,510)	9,379,157

(1) Reclassification from contributed equity to share based payment reserve.

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

Imugene Limited
Consolidated statement of cash flows
For the half-year 31 December 2016

	31 December	31 December
	2016	2015
Notes	\$	\$
Payments to suppliers and employees	(2,055,461)	(1,702,493)
Interest received	13,651	18,930
Other (R&D refund)	1,297,601	755,855
Net cash (outflow) from operating activities	<u>(744,209)</u>	<u>(927,708)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(2,035)	(3,614)
Payments for the purchase of intellectual property	-	(66,650)
Net cash (outflow) from investing activities	<u>(2,035)</u>	<u>(70,264)</u>
Cash flows from financing activities		
Proceeds from issues of equity securities	3,247,919	3,000,000
Capital raising costs	(258,768)	(264,634)
Net cash inflow from financing activities	<u>2,989,151</u>	<u>2,735,366</u>
Net increase in cash and cash equivalents	2,242,907	1,737,394
Cash and cash equivalents at the beginning of the financial year	1,582,583	1,956,992
Effects of exchange rate changes on cash and cash equivalents	7	30,333
Cash and cash equivalents at end of period	<u>3,825,497</u>	<u>3,724,719</u>

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

1 Basis of preparation of half-year report

These condensed consolidated interim report for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

These condensed consolidated interim report do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Imugene Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New and amended standards adopted by the group

There are no new accounting standards or interpretations that affect the financial position of the company to be adopted in this reporting period.

(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. Also 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 will need to access additional funds to meet future commitments and to pay its debts when they fall due, and to progress the group's research & development programs. The ability of the group to successfully access additional capital, and the amount of additional funds required is dependent on the outcome of its product research & development programs. The group is confident they will be able to access the required additional funds.

Notwithstanding the requirement to access additional funding for the group, the interim report has been prepared on a going concern basis. Accordingly the interim 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) R&D tax incentives

The groups' research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the six month period to 31 December 2016 the Group has included an item in other income of \$769,093 to recognise this amount which relates to this period.

(d) Share-based payments

The value attributed to share options issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant share option value require assumptions to be made in relation to the likelihood and timing of meeting the conditions of the shares and the value and volatility of the price of the shares.

2 Segment information

(a) Description of segments

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) Other segment information

(i) Segment revenue

	31 December 2016	31 December 2015
	\$	\$
Revenue from research, development and commercialisation (R&D tax refund)	769,093	636,354
Revenue from other corporate activities	13,651	18,930
Total segment revenue	782,744	655,284

(ii) Segment results

	31 December 2016	31 December 2015
	\$	\$
Result from research, development and commercialisation	(878,253)	(412,979)
Result from other corporate activities	(614,253)	(619,628)
Total segment loss before income tax	(1,492,506)	(1,032,607)

(iii) Segment assets

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

	31 December 2016	30 June 2016
	\$	\$
Asset from research, development and commercialisation	7,368,629	7,897,137
Unallocated:		
Cash and cash equivalents	3,825,497	1,582,583
Property, plant and equipment	4,277	2,956
Other assets	74,898	53,127
Total assets as per the consolidated statement of financial position	11,273,301	9,535,803

(iv) Segment liabilities

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

2 Segment information (continued)

(b) Other segment information (continued)

(iv) Segment liabilities (continued)

	31 December 2016	30 June 2016
	\$	\$
Liabilities from research, development and commercialisation	985,450	985,450
Unallocated:		
Trade and other payables	848,946	657,321
Other corporate liabilities	59,748	36,491
Total liabilities as per the consolidated statement of financial position	1,894,144	1,679,262

3 Revenue

	31 December 2016	31 December 2015
	\$	\$
R&D Income	769,093	636,354
Interest income	13,651	18,930
	782,744	655,284

4 Expenses

	31 December 2016	31 December 2015
	\$	\$
Profit before income tax includes the following specific expenses:		
Share-based payments	25,971	58,512

5 Other financial liabilities

	31 December 2016	30 June 2016
	\$	\$
Expected future royalties payable - HER-Vaxx	985,450	985,450
	985,450	985,450

6 Contributed equity

(a) Share capital

	31 December 2016 Number	31 December 2015 Number	31 December 2016 \$	31 December 2015 \$
Ordinary shares - fully paid	2,165,179,518	1,732,134,740	33,396,376	30,407,225
Options	371,166,262	371,177,356	-	-
	2,536,345,780	2,103,312,096	33,396,376	30,407,225

(b) Movements in ordinary share capital

Date	Details	Numbers	Issue price \$	AUD \$
1/7/2016	Opening balance	1,732,134,740	0	30,407,225
3/11/2016	Private placement to sophisticated investors	433,033,684	0.0075	3,247,753
	Less: Capital raising costs			(258,768)
3/11/2016	Exercise of listed options	11,094	0.015	166
31/12/2016	Closing balance	2,165,179,518		33,396,376

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(e) Options

The general terms and conditions of outstanding options are:

- No dividends or voting rights attached
- Exercise price set at a premium to share price at date of entitlement
- Vested at Issue
- All shares allotted upon exercise of Options will upon allotment rank pari passu in all respects with other shares.

7 Share-based payment

(a) Share-based payments

	31 December 2016	30 June 2016
	\$	\$
Share-based payments reserve	1,122,291	1,096,320
	31 December 2016	30 June 2016
Notes	\$	\$
Movements:		
Opening balance	1,096,320	966,141
Share-based payment expenses	25,971	99,814
Reclassification from contributed equity	-	30,365
Closing balance	1,122,291	1,096,320

8 Contingencies

The group had no contingent liabilities at 31 December 2016 (2015: nil).

9 Related party transactions

The group made an expense reimbursement of \$5,281 to Prescient Therapeutics Limited for shared expenses.

10 Events occurring after the reporting period

No 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 periods.

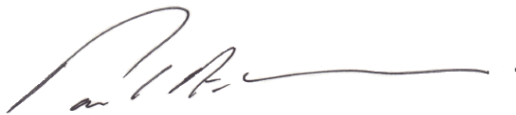
In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 5 to 13 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 31 December 2016 and of its performance for the half-year 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 1 confirms that the interim 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
Director
Melbourne
28 February 2017

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Independent Auditor's Review Report To the Members of Imugene Limited

We have reviewed the accompanying half-year financial report of Imugene Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of Imugene Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Imugene Limited consolidated entity’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Imugene Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Imugene Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that consolidated entity incurred a net loss of \$1,492,506 for the half-year ended 31 December 2016 and, as of that date, the consolidated entity and cash outflows from operating and investing activities equates to \$746,244. These conditions, along with other matter as set forth in Note 1, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 February 2017