



ABN 99 009 179 551

Annual Report

For the Year Ended 30 June 2014

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Chairman's Letter

Dear Fellow Shareholders,

This has been a watershed year for Imugene across many fronts.

During 2013, the Board took a strategic decision to reposition the company as a therapeutic drug development business with a particular focus on immuno-oncology, an area of intense interest and activity in the biotechnology and Big Pharma world.

In December 2013, this strategy culminated in the acquisition of Biolife Science Qld Pty Ltd (Biolife), which owned the rights to an exciting gastric and breast immuno-oncology cancer drug, known as Her-Vaxx which was being developed at the Medical University of Vienna in Austria, one of the largest hospital campuses in Europe.

Her-Vaxx shows great promise as a potential treatment for Her-2 positive gastric and breast cancer, and has completed Phase 1 clinical trials in Europe. Plans are well advanced to take the drug into Phase 2 trials next year, with Imugene driving an active manufacturing program which is now underway in Switzerland.

Part of our strategy has been to build-out a distinguished team at Board and management level, both domestically and internationally.

Subsequent to the acquisition of Biolife, it was a great honour to have Dr Axel Hoos, of GlaxoSmithKline plc, join the Board. Axel is an outstanding scientist and brings a wealth of experience in immuno-oncology to our armoury.

After a comprehensive search, we were delighted to announce in August, that seasoned biotech leader, Charles Walker, had joined us as CEO. Charles has that rare blend of science and commerce, and we look forward to the development of the business under his leadership.

The Board was also strengthened by the addition of Otto Buttula post balance date. Otto has a very successful business track record and has been an active investor in the biotechnology sector for a number of years.

With the recent changes in leadership, Dr Nicholas Ede has resigned from the position of Executive Director, and will assume the management of the manufacturing of Her-Vaxx, a role where he has particular expertise as a highly credentialed peptide chemist. I would like to record the Board's appreciation of his outstanding contribution during the 2013 transition year.

We are well supported by a distinguished Scientific Advisory Board from leading institutions including Memorial Sloan Kettering Cancer Centre in New York, and the Medical University of Vienna in Austria.

The outlook for the company is encouraging. We have the right team in place, promising technology, and the right strategy which will take us to the next level of Her-Vaxx's development.

On behalf of the Board, I thank all shareholders for their support,



Mr Paul Hopper
Executive Chairman

Intellectual Property

Imugene currently has rights to a family of patents/patent applications and trademarks that protect its core platform technologies (Biolife Science Qld Pty Ltd (HER-Vaxx) and Lingual Conseгна Pty Ltd (Linguet™)). The future competitive position of Imugene will depend on its ability to obtain and maintain patent protection of existing and future intellectual property, including its platform technologies, improvements, products, clinical uses and production processes.

Imugene acquired the intellectual property for the HER-Vaxx immunotherapy through the acquisition of Biolife Science Qld Pty Ltd in late 2013. This included the global rights to three patents:

- ‘Vaccine against HER-2/neu Oncogene-associated Cancers’, protects specific HER-2 B-cell epitopes and is granted in Australia, Europe, Canada, the USA and Israel;
- ‘HER-2/neu Multi-peptide Vaccine’, further protects specific HER2 B-cell epitopes and is granted in Australia, Europe, Israel and pending in Canada; and
- ‘Multi-epitope Vaccine for HER-2/neu-associated Cancers’, claims fusion peptides comprising three non-contiguous B cell epitopes from the extracellular domain of HER-2/neu linked to one another and coupled with a delivery system including a virosome. This patent, acquired in December 2013 from Pevion Biotech (Switzerland), protects “HER-Vaxx” in major markets until at least 2030. The patent is granted in the USA and is pending in Europe.

A family of patents and patent applications protects the Linguet™ technology, as follows:

- ‘Buccal Delivery System’, is granted in Australia, Russia, New Zealand, Canada, the USA, Europe, China, Japan, Hong Kong and India; and
- ‘Formulations and Therapeutic Uses Thereof’, New Australian Provisional Patent Application No. 2014901940 covering Vitamin D and analogues.

The Linguet trademark has been registered under Class 05 in Australia (renewal 2016) and New Zealand (renewal 2017), and internationally under the Madrid Protocol™ (renewal 2017).

Imugene will also seek patent protection for new intellectual property, including improvements to the platform technologies, and their applications. As a minimum, patent applications will be made in the US, the European Union, Canada, China, Japan, Australia and New Zealand and most other English-speaking countries.

Title: Vaccine against HER-2/neu oncogene-associated cancers

Country	Patent No.	Case Status
Australia	2002251032	Granted
Austria	1236740	Granted
France	1236740	Granted
Germany	1236740	Granted
Italy	1236740	Granted
Netherlands	1236740	Granted
Spain	1104943.4	Granted
Switzerland	1236740	Granted
United Kingdom	1236740	Granted
Canada	2412783	Granted
United States of America	7348010	Granted
Israel	153346	Granted

Title: HER-2/neu multi-peptide vaccine

Country	Patent No.	Case Status
Australia	2007237491	Granted
Austria	1844788	Granted
France	1844788	Granted
Germany	1844788	Granted
Italy	1844788	Granted
Netherlands	1844788	Granted
Spain	1844788	Granted
Switzerland	1844788	Granted
United Kingdom	1844788	Granted
Canada	2649013	Pending
Israel	194162	Granted

Title: Multi-epitope vaccine for HER2/NEU-associated cancers

Country	Patent No.	Case Status
European Patent Office	10744895.3	Pending
United States of America	13/389419	Granted

Title: Buccal Delivery System

Country	Patent No.	Case Status
Australia	2006 230820	Granted
Canada	2603649	Granted
China (People's Republic)	200680010802.4	Granted
European Patent Convention	1865925	Granted
Hong Kong	08103009.5	Granted
India	258256	Granted
Japan	5256425	Granted
New Zealand	562311	Granted
Russian Federation	2007141365	Granted
United States of America	8828435	Granted

Title: Formulations and Therapeutic Uses Thereof

Country	Patent No.	Case Status
Australia	2014901940	Pending

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Imugene Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2014.

Directors

The following persons were directors of Imugene Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Paul Hopper

Dr Nicholas Ede

Dr Axel Hoos (appointed 20 December 2013)

Mr Otto Buttula (appointed 7 July 2014)

Mr Steve Harris (resigned 20 December 2013)

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.

Operating and Financial Review

Results

The Group reported a loss for the full-year ended 30 June 2014 of \$2,115,964 (2013: \$1,559,566). The loss is after fully expensing all research and development costs. The increase in the loss for the financial year is largely due to the impairment of the Linguet intellectual property and investment in the Group's new lead product, Her-Vaxx.

Operations

Acquisition of Biolife Science Qld Pty Ltd and Her-Vaxx

In October 2013 the Company announced the acquisition of 100% of Biolife Science Qld Pty Ltd (Biolife), a cancer immunotherapy company targeting HER-2 specific cancers, including gastric cancer and breast cancer. The acquisition was settled on 20 December 2013. The acquisition of Biolife means Imugene is now an immuno-oncology focused biopharmaceutical company. The company's core clinical program is the development of HER2 +ve gastric and breast cancer immunotherapies. The acquisition gave the Company the rights to HER2 +ve therapeutic cancer immunotherapy platform developed by scientists at the University Medical School in Austria who had developed a B-cell peptide-based immunotherapy that induces a polyclonal antibody response against HER-2/neu associated tumours. HER-2/neu is a known and validated receptor that is over-expressed on some cancerous tumours, including gastric, breast, ovarian and pancreatic cancers.

The Company views HER-Vaxx as a highly promising new treatment option for gastric cancer patients, and is focused on developing it as a front line cancer therapy. In addition to gastric cancer, HER-Vaxx is potentially applicable to a wide range of cancer indications, including cancers of the breast, ovaries and pancreas.

HER-Vaxx has successfully completed a Phase I study in breast cancer. The next stage of development will be a Phase II study in gastric cancer. Subject to FDA approval, the Company plans to begin the study in 2015.

Gastric or stomach cancer is the world's second most common cause of cancer-connected death. It is also the most commonly diagnosed cancer, with more than a million new cases detected every year.

In January 2014 the Company announced the appointment of Univ. Professor Dr Dr.h.c. Christoph Zielinski and Univ. Professor Dr Ursula Wiedermann MD, PhD, to the Company's Scientific Advisory Board (SAB) and in April the Company announced that US medical oncologist Dr Neil Segal, would join the SAB. Dr Segal is an oncologist at the Memorial Sloan Kettering Cancer Center, the oldest and largest private cancer clinic in the US. His research examines the immune system's potential for treating cancer and matches Imugene's HER-Vaxx approach which aims to stimulate the human immune system to produce its own antibodies.

In May 2014 the Company announced the appointment of Swiss-based Bachem AG, a specialist peptide producer, to manufacture the peptide component of its HER-2+ cancer immunotherapy, HER-Vaxx. Bachem has extensive experience synthesising clinical grade peptides suited to the immunotherapy delivery platform for HER-Vaxx. Bachem manufactured the three peptide B-cell epitope antigens used in the completed Phase I breast cancer trial. Bachem has successfully completed a feasibility study, allowing immunotherapy manufacture to begin.

Commercial Opportunities - Linguet

The Company is currently reviewing its options, including commercialisation opportunities, for the Linguet drug delivery programs. The core patent Therapeutic Formulations was granted in Japan, China, Europe, the US, Hong Kong and India. The patents provide protection around Linguet's™ formulations and other specific excipients for a class of drugs that prevent the loss of bone mass. Known as biophosphonic acids and bisphosphonates, they are used to treat conditions such as osteoporosis and multiple myeloma. The Company announced on 18 September 2013 that it was discontinuing development of its fast melt ibuprofen tablets.

Changes to Board and Management

On 20 December 2013, shareholders approved the appointment of Dr Axel Hoos (Global VP Oncology R&D at GlaxoSmithKline) to the board as a Non-Executive Director. Steve Harris resigned as Non-Executive Chairman. Mr Harris made an invaluable contribution to the Company as a director and provided dedicated leadership as Chairman. Mr Paul Hopper holds the position of Executive Chairman.

On 7 July 2014 the Company announced the appointment of renowned small cap research analyst and investor, Otto Buttula, as a Non-Executive Director. With more than 25 years of experience in financial services and biotechnology investment, Mr Buttula brings an added layer of expertise in research, technology and finance to Imugene.

On 26 August 2014 the Company announced the appointment of Charles Walker as Chief Executive Officer. Mr Walker has broad and successful experience across many aspects of the biotechnology and life sciences industry. His experience includes significant operational and leadership experience, a strong capital markets track record from executing nearly 50 international fundraisings both as principal and advisor, as well as a detailed scientific understanding gained from his technical background in pharmacology.

Financial Position

The Company's net assets increased by \$4.8M (357%) compared with the previous year to \$6.7M. As at 30 June 2014, the Company had cash reserves of \$1.2M, an increase of \$0.7M on the previous financial year end. The overall increase in receivables for the year reflects the pending receipt of \$0.5M research and development tax rebate. The net carrying value of the Company's intangible assets of \$6.9M was predominately due to an increase of \$5.8M on the previous year, due to the acquisition of Biolife Science Qld Pty Ltd.

Material business risks

Pharmaceutical R&D involves scientific uncertainty and long lead times. Risks inherent in these activities include uncertainty of the outcome of the Company's research results; difficulties or delays in development of any of the Company's drug candidates; and general uncertainty related to the scientific development of a new medical therapy.

The Company's drug compounds require significant pre-clinical and human clinical development prior to commercialisation, which is uncertain, expensive and time consuming. There may be adverse side effects or inadequate therapeutic efficacy of the Company's drug candidates which would prevent further commercialisation. There may be difficulties or delays in testing any of the Company's drug candidates. There may also be adverse outcomes with the broader clinical application of the technology platform which could have a negative impact on the Company's specific drug development and commercialisation plans.

No assurance can be given that the Company's product development efforts will be successful, that any potential product will be safe and efficacious, that required regulatory approvals will be obtained, that the Company's products will be capable of being produced in commercial quantities at an acceptable cost or at all, that the Company will have access to sufficient capital to successfully advance the products through development or to find suitable development or commercial partners for the development and or commercialisation of the products and that any products, if introduced, will achieve market acceptance.

Partnering and Licensing

Due to the significant costs in drug discovery and development it is common for biotechnology companies to partner with larger biotechnology or pharmaceutical companies to help progress drug development. While the Company has previously entered into such licensing agreements with pharmaceutical partners, there is no guarantee that the Company will be able to maintain such partnerships or license its products in the future. There is also no guarantee that the Company will receive back all the data generated by or related intellectual property from its licensing partners. In the event that the Company does license or partner the drugs in its pipeline, there is no assurance as to the attractiveness of the commercial terms nor any guarantee that the agreements will generate a material commercial return for the Company.

Regulatory Approvals

Complex government health regulations, which are subject to change, add uncertainty to obtaining approval to undertake clinical development and obtain marketing approval for pharmaceutical products.

Delays may be experienced in obtaining such approvals, or the regulatory authorities may require repeat of different or expanded animal safety studies or human clinical trials, and these may add to the development cost and delay products from moving into the next phase of drug development and up to the point of entering the market place. This may adversely affect the competitive position of products and the financial value of the drug candidates to the Company.

There can be no assurance that regulatory clearance will be obtained for a product or that the data obtained from clinical trials will not be subject to varying interpretations. There can be no assurance that the regulatory authorities will agree with the Company's assessment of future clinical trial results.

Competition

The Company will always remain subject to the material risk arising from the intense competition that exists in the pharmaceutical industry. A material risk therefore exists that one or more competitive products may be in human clinical development now or may enter into human clinical development in the future. Competitive products focusing on or directed at the same diseases or protein targets as those that the Company is working on may be developed by pharmaceutical companies or any of its other collaboration partners or licensees. Such products could prove more efficacious, safer, more cost effective or more acceptable to patients than the Company product. It is possible that a competitor may be in that market place sooner than the Company and establish itself as the preferred product.

Technology and Intellectual Property Rights

Securing rights to technology and patents is an integral part of securing potential product value in the outcomes of pharmaceutical R&D. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that any patents which the Company may own, access or control will afford the Company commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that the Company will be free to commercialise its drug candidates. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid the Company's patented technology or try to invalidate the Company's patents, or that it will be commercially viable for the Company to defend against such potential actions of competitors.

Business Strategy and Future Prospects

The main focus of the Company's operations in the short to medium term will be directed at completing drug manufacturing for Her-Vaxx at the earliest opportunity so that the gastric cancer clinical trial can commence next year.

The Company is in advanced negotiations with a number of international clinical trial organisations, which have the experience to manage, and recruit patients for our gastric cancer trial.

The Company is excited about the potential for Her-Vaxx as a potential therapy in an area of major need.

Events Occurring After Reporting Date

In July 2014 the Company announced the engagement of Swiss-based Mymetics SA to exclusively develop and manufacture its HER-Vaxx cancer immunotherapy. Mymetics brings specialist experience and expertise to the formulation, manufacture and quality assurance of virosomes which form the principal delivery mechanism for Imugene's HER-Vaxx.

As detailed above, on 7 July 2014, the Company announced the appointment of Otto Buttula as a Non-Executive Director.

As detailed above, on 26 August 2014, the Company announced the appointment of Charles Walker as Chief Executive Officer.

Significant Changes in the State of Affairs

Imugene continues as a drug development and pharmaceutical company. The Company acquired Biolife Science Qld Pty Ltd during the financial year which will significantly increase the scale of the Company's activities.

Matters Subsequent to the End of the Financial Year

There are no matters subsequent to the end of the financial year other than those disclosed elsewhere in this report.

Information on Directors

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

Mr Paul Hopper		Executive Chairman
Experience and expertise	Mr Hopper has over 20 years experience in international public company markets primarily in the life sciences sectors, with a focus on start-up and rapid growth companies, and has served as either CEO, Chairman, or Non-Executive Director, of fourteen public companies in the US, Australia and Asia. He is currently the Chairman of Viralytics (ASX:VLA), Executive Chairman of Imugene and Executive Director of Virax Holdings (ASX:VHL). He is also Head of Life Sciences at Los Angeles based investment bank, Cappello Group.	
Date of appointment	31 October 2012	
Other directorships in the past 3 years	Virax Holdings Limited (ASX: VHL) Viralytics Limited (ASX:VLA) pSivida Corp (ASX:PVA) iSonea Limited (ASX:ISN) Somnosed Limited (ASX:SOM)	
Committees	Remuneration and Audit Committee	
Interest in shares	68,296,875	
Interest in options	Nil	
Dr Nicholas Ede		Executive Director
Experience and expertise	Dr Ede has a record of successfully evolving research concepts to commercial products and processes. He has over 25 years' experience in drug discovery and international business development gained at Chiron (now Novartis), EqiTX, Mimotopes, Adistem and Conseгна. He has established joint ventures and partnerships with some of the leading pharmaceutical and biotechnology companies in the world, including a global alliance with the world's 4th largest biotechnology company Genzyme Inc, Invitrogen Inc, GSK, Pfizer, Merck, and the Broad Institute (a joint venture of Harvard and MIT) among others. He holds a PhD from Monash University and Graduate Certificate in Innovation from Melbourne Business School, and has published over 50 scientific papers and patents.	
Date of appointment	11 February 2013	
Other directorships in the past 3 years	-	
Committees	Remuneration and Audit Committee	
Interest in shares	10,655,556	
Interest in options	Nil	

Dr Axel Hoos		Non-Executive Director
Experience and expertise	Dr Hoos is 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 directorships in the past 3 years	-	
Committees	Remuneration and Audit Committee	
Interest in shares	7,500,000	
Interest in options	Nil	
Mr Otto Buttula		Non-Executive Director
Experience and expertise	Mr Buttula has extensive successful experience in research, technology and financial services positions over the past 25 years, having held directorships in a number of public companies. His experience includes co-founding and CEO and Managing Director of IWL Limited (ASX: IWL) prior to its takeover by Commonwealth Bank of Australia (ASX: CBA) in 2007. He has founded and was Managing Director for Investors Mutual, prior to which he was a co-founder and director of Lonsdale Securities Limited. More recently, he was Non-Executive Chairman of platform and stockbroking provider Investorfirst Limited, now HUB24 Limited (ASX: HUB).	
Date of appointment	7 July 2014	
Other directorships in the past 3 years	HUB24 Limited (ASX:HUB)	
Committees	Remuneration and Audit Committee	
Interest in shares	62,000,000	
Interest in options	Nil	
Mr Steve Harris		Non-Executive Director
Date of resignation	20 December 2013	

Company Secretaries

Mr Phillip Hains		Chief Financial Officer and Joint Company Secretary
Experience and expertise	<p>Mr. Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'.</p> <p>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 Institute of Chartered Accountants.</p>	
Date of appointment	20 December 2012	
Interest in shares	Nil	
Interest in options	Nil	
Mr Justyn Stedwell		Joint Company Secretary
Experience and expertise	<p>Mr Stedwell is a professional Company Secretary with over seven years experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining.</p> <p>He has completed a Bachelor of Business & Commerce (Management & 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.</p>	
Date of appointment	30 July 2012	
Interest in shares	Nil	
Interest in options	Nil	

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Remuneration and Audit Committee	
	Attended	Held	Attended	Held
Paul Hopper	8	8	4	4
Nicholas Ede	8	8	3	3
Axel Hoos (appointed 20 December 2013)	4	5	3	3
Steve Harris (resigned 20 December 2013)	3	3	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration Report (audited)

The Remuneration Report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The Remuneration Report is set out under the following main headings:

- 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 committee in relation to the remuneration of the Company'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 committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration 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 \$5,000 per director per month. The Company'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 Company, however to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company. Non-executive directors do not receive share options.

Non-executive directors' fees and payments are reviewed annually by the Board.

Retirement Benefits and Allowances

No retirement benefits or allowances are paid or payable to directors of the Company.

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 (unrisked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts. Base pay was increased during the year.

Short-Term and Long Term Incentives

Contractual agreements with key management personnel provide for the provision of incentive arrangements should these be introduced by the Company. There are currently no short-term or long-term incentive schemes in place within the Company.

Securities Trading Policy

The trading of Company's securities by employees and directors is subject to, and conditional upon, the Policy for Trading in Company Securities which is available on the Company's website (www.imugene.com).

Voting and Comments Made at the Company's 2013 Annual General Meeting

The Company received 99% of 'yes' votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

B Details of Remuneration

Amounts of Remuneration

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 key management personnel of the Group consisted of the following directors of Imugene Limited:

- Mr Paul Hopper – Non-Executive Director (1 July 2013 to 19 December 2013)
– Executive Chairman (20 December 2013 to 30 June 2014)
- Dr Nicholas Ede – Executive Director
- Dr Axel Hoos – Non-Executive Director (20 December 2013 to 30 June 2014)
- Mr Steve Harris – Non-Executive Chairman (1 July 2013 to 20 December 2013)
- Mr Otto Buttula – Non-Executive Director (appointed 7 July 2014)

And the following persons:

- Mr Charles Walker – Chief Executive Officer (appointed 26 August 2014)
- Mr Phillip Hains – Chief Financial Officer and Joint Company Secretary

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		% of remuneration
	Cash salary and fees	Bonus	Non- monetary	Superannuation	Long service leave	Equity- settled	Total	not related to performance
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	
Non-Executive Directors:								
Paul Hopper	85,585	-	-	-	-	-	85,585	100.00%
Axel Hoos	24,698	-	-	-	-	-	24,698	100.00%
Steve Harris	46,250	-	-	-	-	-	46,250	100.00%
Executive Directors:								
Nicholas Ede	164,760	-	-	15,240	-	-	180,000	100.00%
Other Key Management Personnel:								
Phillip Hains (i)	124,800	-	-	-	-	-	124,800	100.00%
	446,093	-	-	15,240	-	-	461,333	

(i) Remunerated through The CFO Solution (see Section C below and the Company Secretaries details above for further detail).

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		% of remuneration
	Cash salary and fees	Bonus	Non- monetary	Superannuation	Long service leave	Equity- settled	Total	not related to performance
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	
Non-Executive Directors:								
Roger Steinepreis	8,749	-	-	-	-	-	8,749	100.00%
Graham Dowland	1,835	-	-	928	-	-	2,763	100.00%
Steve Harris	54,518	-	-	-	-	-	54,518	100.00%
Paul Hopper	40,000	-	-	-	-	-	40,000	100.00%
Executive Directors:								
Nicholas Ede	63,938	-	-	5,754	-	-	69,692	100.00%
Fabio Pannuti	103,817	-	-	-	-	-	103,817	100.00%
Warwick Lamb	283,606	-	-	20,656	-	-	304,262	100.00%
Other Key Management Personnel:								
Justyn Stedwell (i)	12,000	-	-	-	-	-	12,000	100.00%
Phillip Hains (i)	72,800	-	-	-	-	-	72,800	100.00%
	641,263			27,338	-	-	668,601	

(i) Remunerated through The CFO Solution (see Section C below and the Company Secretaries details above for further detail).

C Service Agreements

Executives

The employment conditions of the Executive Director, Dr Nicholas Ede is formalised in a contract of employment which commenced on the 11 February 2013. This contract stipulates a salary of \$180,000 pa, inclusive of superannuation and a termination period of four months.

The employment conditions of the Chief Executive Officer and Director, Mr Charles Walker is formalised in a contract of employment which commenced on the 26 August 2014. This contract stipulates a salary of \$180,000 pa, exclusive of superannuation and a termination period of six months. His salary may be increased to a maximum of \$250,000 upon achievement of agreed milestones. Mr Walker will also participate in a share purchase package under which the company will loan Mr Walker funds to acquire four tranches of 12.5 million new shares in the company at \$0.012 subject to specified share price hurdles being achieved. The share purchase package is subject to retention terms, including cancellation of 75% of the shares in the event Mr Walker is a 'bad leaver'.

Imugene Limited has a contract with The CFO Solution, a specialist public practice, focusing on providing back office support, financial reporting and compliance systems for listed public companies. Through this contact the services of Mr Phillip Hains and Mr Justyn Stedwell (from 20 December 2012) were provided. The contract commenced on 20 December 2012 and can be terminated with three months' notice of either party.

Non-Executive Directors

In accordance with best practice corporate 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 Board of Directors. The Board of Directors 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 company.

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 pa, plus GST. Directors invoice the Company monthly for these amounts on a pro rata basis.

Directors' fees cover all main board activities and committee memberships.

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

D Share-Based Compensation

Issue of Shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014. 2013 (\$nil).

Options

There were no options issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014. 2013 (\$nil).

E Relationship Between the Remuneration Policy and Group Performance

As detailed under headings A & B, remuneration of executives consists of an unrisks element (base pay) and cash 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 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Revenue	27,101	23,208	244,591	2,237,275	44,018
Net (loss)/profit before tax	(2,115,964)	(1,559,566)	(3,133,433)	179,539	(1,765,041)
Net (loss)/profit after tax	(2,115,964)	(1,559,566)	(3,133,433)	415,539	(1,535,041)

No dividends have been paid for the five years to 30 June 2014.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Share price at start of year	\$0.004	\$0.01	\$0.03	\$0.03	\$0.07
Share price at end of year	\$0.013	\$0.004	\$0.01	\$0.03	\$0.03
Basic earnings / (loss) per share (cents)	(0.31)	(0.48)	(2.18)	0.29	(1.1)
Diluted earnings / (loss) per share (cents)	(0.31)	(0.48)	(2.18)	0.29	(1.1)

F Key Management Personnel Disclosures

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Balance at date of appointment	Received as part of remuneration	Additions	Disposals/ other	Balance at date of resignation	Balance at the end of the year
2014							
<i>Ordinary Shares</i>							
Nicholas Ede	605,556	-	-	10,050,000	-	-	10,655,556
Steve Harris (resigned 20 December 2013)	-	-	-	-	-	-	-
Paul Hopper	-	-	-	68,296,875	-	-	68,296,875
Axel Hoos (appointed 20 December 2013)	-	-	-	7,500,000	-	-	7,500,000
	605,556	-	-	85,846,875	-	-	86,452,431

Option Holding

There were no options over ordinary shares in the parent entity held during the current or previous financial year by any director or other members of key management personnel.

Related Party Transactions

On 20 December 2013, the company issued 300,000,000 shares as consideration for the acquisition of 100% of Biolife Science Qld Pty Ltd. Paul Hopper as a shareholder of Biolife Science Qld Pty Ltd received 68,296,875 shares. This was approved by shareholders at the General Meeting of Shareholders held on 20 December 2013.

END OF REMUNERATION REPORT

Shares Under Option

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

Grant date	Expiry date	Exercise price	Number under option
09/08/2012	31/12/2015	\$0.02	50,000,000
			50,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Indemnity and 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 year, 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 and Insurance of Auditor

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 year, 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.

Non-Audit Services

During the year ended 30 June 2014 the company 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 Company 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 20.

Auditor

Grant Thornton Audit Pty Ltd, appointed 20 November 2013, continue 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.

On behalf of the directors



Mr Paul Hopper
Executive Chairman

28 August 2014
Melbourne

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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 audit of Imugene Limited for the year ended 30 June 2014, 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, 28 August 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Corporate Governance Statement

Imugene Limited (“Company”) 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 (“Principles & Recommendations”), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company’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 Company’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 Company’s corporate governance practices is set out on the Company’s website at www.imugene.com.

Board of Directors

Role of the Board

The Company 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 Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company’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 Executive Director and assisting the Executive Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company’s materiality thresholds at first instance to the Executive Director or, if the matter concerns the Executive Director, then directly to the Chair or the lead independent director, as appropriate.

The Company’s Board Charter is available on the Company’s website.

Skills, Experience, Expertise of each Director

A profile of each director containing their skills, experience and expertise is set out in the Directors’ Report.

Director Independence

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

The Board does not consist of a majority of Independent Directors. The Board considers that the presence of one independent director on the Board is sufficient given the size of the Company and the Board, and the nature and scope of the Company’s current operations. One current director, Dr Axel Hoos, is considered to be independent.

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

Corporate Governance Statement

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

Independent Professional 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 Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re) Appointment of Directors

In determining candidates for the Board, the Remuneration and Nomination Committee follows a prescribed procedure whereby it evaluates the skills, experience and expertise of the existing Board. In particular, the role of the Remuneration and Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Remuneration and Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Board recognises that Board renewal is critical to performance as well as the impact of Board tenure on succession planning. Each director other than the Executive Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer).

However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and the re-appointment of directors is not automatic.

Corporate Governance Statement

Board Committees

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee which consists of all Board members and is Chaired by Independent Director, Axel Hoos. The Committee does not consist of a majority of Independent Directors. The Board considers that the presence of one independent director on Board Committees is sufficient given the size of the Company and the Board, and the nature and scope of the Company'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 Company'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 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).

The Company's Remuneration and Nomination Committee Charter is available on the Company's website.

Audit Committee

The Board has established an Audit Committee, which consists of all Board members and is Chaired by Independent Director, Axel Hoos. 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 Company and the Board, the Audit Committee does not consist of only Non-Executive Directors and does not consist of a majority of independent directors.

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 Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company'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 Company's Audit Committee Charter is available on the Company's website.

Corporate Governance Statement

Performance Evaluation

Senior Executives

The Remuneration and Nomination Committee is responsible for evaluating the Executive Director and other key executives where performance is evaluated against key qualitative and quantitative key performance indicators. The evaluations are carried out by conducting a formal interview and review with senior executives annually. During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

Board, its Committees and Individual Directors

The Board conducts a formal self-evaluation process of the Board, its directors and committees through the completion of a survey and questionnaire by each director designed to evaluate Board, director and committee performance and identify areas of scope for improvement. Results from the self-evaluation review process are tabled and discussed and any appropriate practices to improve performance are implemented.

An evaluation of the Board, its committees, and individual directors commenced in accordance with the process disclosed above during the 2014 financial year.

Ethical and Responsible Decision Making

Code of Conduct

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company'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 Company's Code of Conduct is available on the Company website.

Diversity

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

At this stage, the Board does not consider it relevant to establish a diversity policy as the Company has no employees, but instead has administrative and technical services provided to it by consultants. The Company will consider adopting a diversity policy in the 2015 financial year.

As the Company grows and requires the services of permanent staff, the Company 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 Company does not have a diversity policy and therefore has not set any measurable objectives for achieving gender diversity. There are no employees in the organisation and there are no women in senior management positions or on the Board of Directors.

Policy for Trading in Company Securities

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

A copy of the Company's Policy for Trading in Company Securities can be found on the Company's website.

Corporate Governance Statement

Continuous Disclosure

The Company 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 Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

Shareholder communication

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is available on the Company's website.

Risk Management

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company'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.

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

In fulfilling the duties of risk management, the Executive Director may have unrestricted access to any Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company'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 Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company 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 Company'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 material business risks at each board meeting.

Corporate Governance Statement

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

- Financial Reporting
- Operational
- Technological
- Reputation
- Legal and compliance

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Executive Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

The Company's Risk Management Policy is available on the Company's website.



Annual Financial Statements

For the Year Ended 30 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	30 June 2014 \$ AUD	30 June 2013 \$ AUD
Revenue			
Total Revenue	2	27,101	23,208
Other Income	2	511,211	184,012
Expenses			
Business development		(61,816)	(392,821)
Commercialisation expenses		(42,014)	(51,305)
Corporate administration expenses		(762,511)	(691,312)
Depreciation expense		-	(676)
Research and development expenses		(469,464)	(603,321)
Fair value adjustment to financial liability		389,713	
Impairment expenses	2	(1,691,251)	-
Foreign exchange (gain)/ loss		(16,933)	(27,351)
Loss before tax		(2,115,964)	(1,559,566)
Income tax expense		-	-
Net loss after income tax		(2,115,964)	(1,559,566)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,115,964)	(1,559,566)
Loss per share for the year attributable to members of Imugene Limited:			
Basic loss per share (cents per share)		(0.31)	(0.48)
Diluted loss per share (cents per share)		(0.31)	(0.48)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 \$ AUD	30 June 2013 \$ AUD
ASSETS			
Current Assets			
Cash and cash equivalents		1,222,896	565,629
Trade and other receivables	5	524,053	53,522
Other		10,678	-
Total Current Assets		1,757,627	619,151
Non-Current Assets			
Goodwill	6	-	960,527
Intangible assets	6	6,873,848	1,004,817
Total Non-Current Assets		6,873,848	1,965,344
TOTAL ASSETS		8,631,475	2,584,495
LIABILITIES			
Current Liabilities			
Trade and other payables	7	229,218	160,991
Provisions	8	17,966	5,571
Other financial liabilities	9	449,845	-
Total Current Liabilities		697,029	166,562
Non-Current Liabilities			
Other financial liabilities	9	1,202,204	531,467
Total Non-Current Liabilities		1,202,204	531,467
TOTAL LIABILITIES		1,899,233	698,029
NET ASSETS		6,732,242	1,886,466
EQUITY			
Issued capital	10	24,241,812	17,280,072
Share-based payment reserve		966,003	966,003
Accumulated loss		(18,475,573)	(16,359,609)
TOTAL EQUITY		6,732,242	1,886,466

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

		Contributed Equity	Share Based Payment Reserve	Accumulated Losses	Total
	Note	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Balance as at 1 July 2012		14,907,453	966,003	(14,800,043)	1,073,413
Loss for the year		-	-	(1,559,566)	(1,559,566)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year:		-	-	(1,559,566)	(1,559,566)
Transactions with Equity holders in their capacity as equity holders:					
Shares issued		2,573,000	-	-	2,573,000
Capital raising costs		(205,381)	-	-	(205,381)
Options issued		5,000	-	-	5,000
		2,372,619	-	-	2,372,619
Balance at 30 June 2013		17,280,072	966,003	(16,359,609)	1,886,466
Loss for the year		-	-	(2,115,964)	(2,115,964)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year:		-	-	(2,115,964)	(2,115,964)
Transactions with Equity holders in their capacity as equity holders:					
Shares issued	10	7,165,985	-	-	7,165,985
Capital raising costs	10	(204,245)	-	-	(204,245)
		6,961,740	-	-	6,961,740
Balance at 30 June 2014		24,241,812	966,003	(18,475,573)	6,732,242

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	30 June 2014 \$ AUD	30 June 2013 \$ AUD
<u>Cash flows from operating activities</u>			
Payments to suppliers and employees		(1,215,879)	(1,815,905)
Interest received		25,693	-
Other income		3,474	447,267
Other (R&D refund)		42,614	-
Net cash outflows from operating activities	20	(1,144,098)	(1,368,638)
<u>Cash flows related to investing activities</u>			
Payment for the purchase of IP		(600,187)	-
Loans to other entities		-	(5,721)
Acquisition of subsidiary, net of cash acquired		5,797	-
Interest received		-	23,208
Net cash inflows from investing activities		(594,390)	17,487
<u>Cash flows related to financing activities</u>			
Proceeds from issues of equity securities		2,600,000	1,133,000
Capital raising costs		(204,245)	(205,381)
Net cash inflows from financing activities		2,395,755	927,619
Net decrease in cash and cash equivalents		657,267	(423,532)
Cash and cash equivalents at the beginning of the period		565,629	1,016,748
Effects of exchange rate changes on cash and cash equivalents		-	(27,587)
Cash and cash equivalents at the end of the year		1,222,896	565,629

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1. Significant accounting policies

Corporate Information

The financial report of Imugene Limited and its subsidiaries (the 'Group') for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on the 28 day of August 2014. The financial report is for the Group consisting of Imugene Limited and its subsidiaries.

Imugene Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The principal activity of the Group is the research and development of novel antisense pharmaceuticals.

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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 has sufficient funds to meet current commitments and to pay its debts when they fall due for a period of 12 months from signing the financial report. Additional funds will

need to be accessed however 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.

Notwithstanding the material uncertainty pertaining to the ability of the Group to continue to access additional capital, the financial statements have been prepared on a going concern basis. Accordingly the financial statements do 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.

Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Amendments to Australian Accounting Standards

The following amending Standards have been adopted from 1 July 2013. Adoption of these Standards did not have any effect on the financial position or performance of the Group.

Ref	Title	Summary
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i> . The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i> . AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.

Ref	Title	Summary
AASB 12	<i>Disclosure of Interests in Other Entities</i>	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.
AASB 13	<i>Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</i>	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.
AASB 119	<i>Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.
AASB 2012-2	<i>Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.
AASB 2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle</i>	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>).

Ref	Title	Summary
AASB 2012-9	<i>Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039</i>	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .
AASB 2011-4	<i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i>	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.
AASB 2012-3	<i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2013.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Group for the annual reporting period ended 30 June 2014:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2018	The Group is still determining if there will be any potential impact	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2012-3	<i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014	1 January 2014	No impact	1 July 2014
AASB 2013-3	<i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014	1 January 2014	No impact	1 July 2014
AASB 2013-4	<i>Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting</i>	This amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations.	1 January 2014	No impact	1 July 2014
IFRS 15	<i>Revenue from Contracts with Customers</i>	This amends AASB 18 'Revenue', AASB 111 'Construction Contracts' and revenue-related interpretations. The amendment establishes a new control-based revenue recognition model, which changes the basis for deciding whether revenue is to be recognised over time or at point in time.	1 January 2017	No impact	1 January 2017

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
	<i>Annual Improvements to IFRSs 2010-2012 Cycle</i>	These amendments effect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity.	1 July 2014	No impact	1 July 2014

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
	<i>Annual Improvements to IFRSs 2011-2013 Cycle</i>	These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other.	1 July 2014	No impact	1 July 2014

Accounting Policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Limited as at 30 June 2014 and the results of all subsidiaries for the year ended.

Subsidiaries are all those 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 de-consolidated 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.

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.

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.

Interest - control of the right to receive the interest payment.

Licensing revenue - right to receive the licensing revenue has been confirmed.

Research and Development Tax concession – 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.

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.

Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the profit or loss. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

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.

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 Executive Director.

Foreign Currency Translation

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australian dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.

All exchange differences are taken to profit or loss.

Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting loss nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting loss nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows arising from operating activities are included in the Statement of Cash Flow on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. The net amount of GST recoverable from or payable to, the taxation authority is included as part of the receivables or payables in the Statement of Financial Position.

Plant and Equipment

Plant and equipment are measured at cost or fair value less any accumulated depreciation and any impairment losses. Such assets are depreciated over their useful economic lives as follows:

	Life	Method
Plant and equipment	3-5years	Straight line

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 infinite. 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.

Patents, Licenses and Other Rights Costs

Patent costs are expenses as incurred.

Patents, licenses and other rights are recognised at cost on acquisition. Patents, licenses and other rights have a finite life and are carried at cost less any accumulated amortization 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.

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.

Impairment of Non-Financial 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.

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.

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.

Provisions

Provisions are recognised when the Group has a present 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 has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability.

Financial Liabilities

Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities (net of transaction costs) and the redemption value is recognised in profit or loss over the period to maturity using the effective interest rate method.

Employee Benefits

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 statement of financial position. The Group's obligations for employees' annual leave entitlements are recognised as provisions in the statement of financial position.

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 national government bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

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.

Contributed Equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

Earnings Per Share

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Parent Information

The financial information for the parent entity, Imugene Limited, disclosed in note 17 has been prepared on the same basis as the consolidated statement.

Significant Accounting Estimates and Assumptions

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:

Impairment of Intangible Assets

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For patents, licences and other rights, these estimates are based on various assumptions concerning, for example future sales

profiles and royalty income, market penetration, milestone achievement dates and production profiles. Refer to note 6 for more details.

Fair Value of Financial Liability

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Acquisition Accounting

In accounting for the acquisitions made during the prior year, the Group had to make a number of judgements and estimates in determining the fair value of the amounts acquired and the purchase consideration paid/payable. Refer to note 11 for further details.

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.

Note 2. Revenue/Expenses

		Consolidated	
		30 June 2014	30 June 2013
	Note	\$ AUD	\$ AUD
Revenue			
Interest received		27,101	23,208
		27,101	23,208
Other income			
R&D tax refund		507,737	184,012
Other		3,474	-
		511,211	184,012
Expenses			
Impairment expenses	6	(1,691,251)	-
Depreciation expense		-	(676)
Superannuation		(15,240)	(14,701)
Share based payments		(65,985)	(40,000)

Note 3. Segment Information

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.

	Consolidated	
	30 June 2014 \$ AUD	30 June 2013 \$ AUD
Reportable segment revenue		
<i>Revenue, including interest income, is disclosed below based on the reportable segment:</i>		
Revenue from research, development and commercialisation	507,737	180,595
Revenue from other corporate activities	30,575	26,625
	538,312	207,220
Reportable segment assets		
<i>Assets are disclosed based on the reportable segment:</i>		
Asset from research, development and commercialisation	6,873,848	1,965,344
Assets from other corporate activities:		
Cash and cash equivalents	1,222,896	565,629
Other corporate assets	534,731	53,522
	8,631,475	2,584,495

Note 3. Segment Information continued

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Reportable segment liabilities		
<i>Liabilities are disclosed based on the reportable segment:</i>		
Liabilities from research, development and commercialisation	1,652,049	692,458
Liabilities from other corporate activities:		
Trade and other payables	229,218	-
Other corporate liabilities	17,966	5,571
	1,899,233	698,029
Reportable segment profit/ (loss)		
<i>Profit/ (loss) are disclosed below based on the reportable segment:</i>		
Profit/ (loss) from research, development and commercialisation	(1,874,832)	(1,047,447)
Profit/ (Loss) from other corporate activities	(241,132)	(512,119)
	(2,115,964)	(1,559,566)

Note 4. Income Tax

The Group has not commenced significant trading. At its current stage of operational development the Group is not in a position to satisfy the accounting criteria of AASB112: Income Taxes to bring to account the benefit of its tax losses. Accordingly no current or deferred income tax benefits have yet been brought to account.

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
<i>Loss from continuing operations before income tax expense</i>	(2,115,964)	(1,559,566)
<i>Tax at the Australian statutory income tax rate of 30% (2013:30%)</i>	(634,789)	(467,870)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>		
Non assessable R&D grant income	(152,321)	(54,179)
Non allowable expenses	398,983	227,583
Tax losses and other timing differences for which no DTA is recognised	388,128	294,466
Income tax expense	-	-

Note 4. Income Tax continued

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
(c) Unrecognised Deferred Tax Assets		
Unused tax losses and temporary differences for which a deferred tax asset has not been recognised	13,503,722	12,125,090
Potential tax benefit at 30%	4,051,117	3,637,527

Note 5. Trade and Other Receivables

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Trade receivables	8,324	47,801
GST refund	6,710	-
R&D tax refund	509,019	-
Amounts receivable from other entities	-	5,721
	524,053	53,522

Past due but not impaired

The Group did not have any receivables that were past due as at 30 June 2014 (30 June 2013: Nil). The Group did not consider a credit risk on the aggregate balances as at 30 June 2014. For more information, please refer to note 12 Financial Instruments, Risk Management Objectives and Policies.

Note 6. Intangible Assets

		Consolidated	
		30 June 2014	30 June 2013
	Note	\$ AUD	\$ AUD
<i>Patents, licenses and other rights</i>			
Opening cost		4,032,737	3,027,920
Additions (Linguet)		-	1,004,817
Additions (Biolife)	(i)	6,599,755	-
Closing cost		10,632,492	4,032,737
<i>Accumulated amortisation</i>			
Accumulated amortisation at the start of the year		(3,027,920)	(3,027,920)
Impairment charge (Linguet)		(730,724)	-
Accumulated amortisation at the end of the year		(3,758,644)	(3,027,920)
Closing net book amount		6,873,848	1,004,817
<i>Goodwill</i>			
Opening cost		960,527	-
Additions		-	960,527
Impairment charge		(960,527)	-
Closing cost		-	960,527

- (i) On 20 December 2013, the Company acquired 100% of the issued shares of Biolife Science Qld Ltd. The assets acquired include 'HER-Vaxx' the novel cancer immunotherapy platform. For further details, please refer to note 11 Business Combination.

Note 6. Intangible Assets continued

	Note	Patents, licenses and other rights	Impairment	Carrying Value
Linguet				
Balance at 1 July 2013		4,032,737	(3,027,920)	1,004,817
Impairment of asset		-	(730,724)	(730,724)
Balance at 30 June 2014		4,032,737	(3,758,644)	274,093
Biolife				
Balance at 1 July 2013		-	-	-
Addition by business combination	11	6,599,755	-	6,599,755
Balance at 30 June 2014		6,599,755	-	6,599,755

Impairment of Intangibles

The Board have assessed that patents, licenses and other rights are not amortised until they are ready for use, ie commercialised. As such they together with goodwill have been subject to an impairment test whereby the recoverable amount was compared to their written down value.

Following the announcement by the Company in September 2013, to discontinue the development of its fast-melt Ibuprofen program, the Board conducted an impairment review of the Linguet intangible assets and concluded that an impairment charge of \$730,724 is necessary for the asset as well as an impairment charge of \$960,527 to goodwill, relating to the reportable segment research, development and commercialisation. Recoverable amount has been determined by the Board by preparing a value in use calculation using cash flow projections over the expected product life of the related IP being 13 years. The cash flows were discounted using a pre-tax discount rate of 25% at the beginning of the projection period. As the Ibuprofen program was a significant component of the Linguet intangible asset, the Board's estimate of the product's expected market share and the Group's revenue stream has been significantly reduced.

Note 7. Trade and Other Payables

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Trade payables	154,921	96,736
Other payables	74,297	64,255
	229,218	160,991

*Please refer to note 12 for further details on financial instruments

Note 8. Provisions

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Current		
Employee benefits - annual leave	17,966	5,571
	17,966	5,571

Note 9. Other Financial Liabilities

	Note	Consolidated	
		30 June 2014 \$ AUD	30 June 2013 \$ AUD
Current			
Amount owing – Her-Vaxx	(i)	449,845	-
		<u>449,845</u>	<u>-</u>
Non-Current			
Expected future royalties payable – Linguet	(ii)	141,754	531,467
Expected future royalties payable – Her-Vaxx	(iii)	985,450	-
Amount owing – Her-Vaxx	(i)	75,000	-
		<u>1,202,204</u>	<u>531,467</u>
		1,652,049	531,467

(i) Represents the amounts owing to Biolife Science Forschungs-und Entwicklungsges m.b.HH (BSFE) and Pevion Biotech AG for the 'HER-Vaxx' intellectual property. These amounts consist of the cash components of the respective intellectual property agreements.

(ii) Refers to 15% royalties payable to Linguet Intellectual Property founders, payable upon revenue generation, which arose on acquisition of Lingual Consegna Pty Ltd.

This amount has been adjusted to fair value, taking into account comparable licensing transactions as well as considering other data. As a result the fair value adjustment of \$389,713 has left a carrying value of \$141,754, as determined using an expected future royalty stream of \$250,000 (FY13 \$500,000) per annum for a period of 13 years, discounted using a rate of 25%.

(iii) Represents fair value estimate of royalties payable to BSFE on commercial income arising from Her-Vaxx. The amount has been estimated based on the implied value of the intangible as referenced by the recent purchase.

Note 10. Issued Capital

			30 June 2014		30 June 2013
	Note	No.	\$ AUD	No.	\$ AUD
Ordinary shares	13(a)	946,562,516	24,236,812	376,162,516	17,275,072
Options	13(b)	50,000,000	5,000	50,000,000	5,000
Total at reporting date			24,241,812		17,280,072

Movements in equity during the year ended 30 June 2014 and prior year are set out below:

(a) Ordinary Shares

			30 June 2014		30 June 2013
		No.	\$ AUD	No.	\$ AUD
At the beginning of the period		376,162,516	17,275,072	143,637,220	14,907,453
Share issued during the period	(i)	570,400,000	6,961,740	232,525,296	2,367,619
Total at reporting date		946,562,516	24,236,812	376,162,516	17,275,072

Rights of each type of share

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company 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.

(i) Details of shares issued during the period

2014	Details	Number	Issue price \$	\$ AUD
04/09/2013	Shares issued to corporate consultants	2,000,000	0.005	10,000
30/10/2013	Private placement to sophisticated investors	85,000,000	0.010	850,000
30/10/2013	Shares issued to corporate consultants	2,400,000	0.007	15,989
09/12/2013	Shares issued to corporate consultants	6,000,000	0.007	39,997
	Private placement to sophisticated investors			
20/12/2013	(balance of \$2.6M approved at EGM)	175,000,000	0.010	1,750,000
20/12/2013	Shares issued for acquisition of Biolife Qld Pty Ltd	300,000,000 ¹	0.015	4,500,000
	Less capital raising costs			(204,245)
		570,400,000		6,961,740

¹The 300,000,000 ordinary shares issued to the vendors of Biolife Science Qld Pty Ltd are subject to escrow until 20/12/2014.

(b) Options

			30 June 2014		30 June 2013
	Note	No.	\$ AUD	No.	\$ AUD
At the beginning of the period	(i)	50,000,000	5,000	-	-
Options issued during the period		-	-	50,000,000	5,000
Total at reporting date		50,000,000	5,000	50,000,000	5,000

(i) Unlisted advisor options (IMUAK) exercisable at \$0.02, expire on 31 December 2015

Note 11. Business Combination

On 20 December 2013, the Company acquired 100% of the issued shares of Biolife Science Qld Pty Ltd, a Company which holds 'HER-Vaxx', the novel cancer immunotherapy platform consistent with the Company's strategy to diversify.

Details of the acquisition are as follows:

(a) Consideration

	\$ AUD
Ordinary Shares 300,000,000 in Imugene Limited at \$0.015 per share*	4,500,000
Total purchase consideration	4,500,000

* The issue price is based on the closing share price of Imugene Limited shares quoted on the ASX on the date of acquisition (20 December 2013).

(b) Fair Value

Details of the fair values at the date of acquisition are set out below:

	Note	Book value \$AUD	Fair value adjustments \$ AUD	Total \$ AUD
Assets				
Cash and cash equivalents		5,797	-	5,797
Trade and other receivables		44,273	-	44,273
Intangible assets		1,125,032	5,474,723	6,599,755
Total Assets		1,175,102	5,474,723	6,649,825
Liabilities				
Trade and other payables		(39,343)	-	(39,343)
Other financial liabilities – current		(950,032)	-	(950,032)
Other financial liabilities – non-current		(175,000)	-	(175,000)
Expected future royalties – non-current		-	(985,450)	(985,450)
Total Liabilities		(1,164,375)	(985,450)	(2,149,825)
Fair value of identifiable net assets		10,727	4,489,273	4,500,000
Total purchase consideration		-	-	4,500,000

In line with the Group's accounting policies the net assets have been determined based on the directors' best estimate of the likely fair value at \$4,500,000.

The acquired business contributed \$288,699 to the loss for the year ended 30 June 2014. Had the acquisition been effected at 1 July 2013, the loss from continuing operations for the year ended 30 June 2014 would have decreased by a total of \$11,226.

Acquisition-related costs of \$44,424 are included in corporate administration expenses in the Statement of Profit or Loss and Other Comprehensive Income and in operating cash flows in the Consolidated Statement of Cash Flows.

Note 12. Financial Instruments, Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: 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.

The Group holds the following financial instruments:

(a) Financial Instruments

The Group's financial instruments are detailed below:

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Cash and cash equivalents	1,222,896	565,629
Trade and other receivables	524,053	53,522
Trade and other payables	229,218	160,991

The Group does not have any derivative instruments at 30 June 2014.

(b) Risk Management Policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Group's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Company, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk.

Management report risks identified to the Board through the monthly Operations Report.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

(c) Significant Accounting Policy

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables represents their fair values determined in accordance with the accounting policies disclosed in Note 1.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and trade and other payables are disclosed in Note 2.

(d) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company'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 Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of equity attributed to equity holders of the Company, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Company's Management the Board monitors the need to raise additional equity from the equity markets.

(e) Financial Risk Management

The main risks the Company is exposed to through its operations are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest Rate Risk

The Company is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

To manage interest rate risk, the Company locks a portion of the Company's cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Company's cash flow forecast.

Interest rate risk is considered when placing funds on term deposits. The Company considers the reduced interest rate received by retaining cash and cash equivalents in the Company's operating account compared to placing funds into a term deposit. This consideration also takes into account the costs associated with breaking a term deposit should early access to cash and cash equivalents be required.

Foreign Exchange Risk

The Group's exposure to foreign exchange risk is assessed to be insignificant.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Group. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Risk is also managed by investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of financial assets at the end of the reporting period, including the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provision) as presented in the Consolidated Statement of Financial Position.

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.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities is as follows:

2014	Weighted Average Effective Interest Rate %	Floating Interest Rate \$ AUD	Non Interest Bearing \$ AUD	Fixed Interest Bearing \$ AUD	Total \$ AUD
Financial Assets:					
Cash and cash equivalents	2.27	1,222,896	-	-	1,222,896
Trade and other receivables		-	524,053	-	524,053
Total Financial Assets		1,222,896	524,053	-	1,746,949
Financial Liabilities:					
Trade and other payables		-	229,218	-	229,218
Other financial liabilities		-	1,652,049	-	1,652,049
Total Financial Liabilities		-	1,881,267	-	1,881,267
Net Financial Assets/(Liabilities)		1,222,896	(1,357,214)	-	(134,318)

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate \$ AUD	Non Interest Bearing \$ AUD	Fixed Interest Bearing \$ AUD	Total \$ AUD
Financial Assets:					
Cash and cash equivalents	2.51	565,629	-	-	565,629
Trade and other receivables		-	53,522	-	53,522
Total Financial Assets		565,629	53,522	-	619,151
Financial Liabilities:					
Trade and other payables		-	160,991	-	160,991
Other financial liabilities		-	531,467	-	531,467
Total Financial Liabilities		-	692,458	-	692,458
Net Financial Assets/(Liabilities)		565,629	(638,936)	-	(73,307)

Note 12. Financial Instruments, Risk Management Objectives and Policies continued

Maturity profile:

	Carrying Amount		Contractual Cash Flow		Within 1 Year		1-5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Financial Assets:										
Cash and cash equivalents	1,222,896	565,629	1,222,896	565,629	1,222,896	565,629	-	-	1,222,896	565,629
Trade and other receivables	524,053	53,522	524,053	53,522	524,053	53,522	-	-	524,053	53,522
Total Financial Assets	1,746,949	619,151	1,746,949	619,151	1,746,949	619,151	-	-	1,746,949	619,151
Financial Liabilities:										
Trade and other payables	229,218	160,991	229,218	160,991	229,218	160,991	-	-	229,218	160,991
Other Financial Liabilities	1,652,049	531,467	1,652,049	531,467	449,845	-	1,202,204	531,467	1,652,049	531,467
Total Financial Liabilities	1,881,267	692,458	1,881,267	692,458	679,063	160,991	1,202,204	531,467	1,881,267	692,458

(f) Net Fair Values

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value.

(g) Financial Instruments measured at Fair Value

The financial instruments recognised at fair value in the 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:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2014 and 2013, none of the Group's assets and liabilities had their fair value determined using the fair value hierarchy.

Notes to the Consolidated Financial Statements

Continued

(h) Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to change in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

2014		Interest rate risk				Other price risk			
		-1%	-1%	1%	1%	-5%	-5%	5%	5%
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Cash	1,222,896	(12,229)	(12,229)	12,229	12,229	(61,145)	(61,145)	61,145	61,145
Total increase / (decrease)		(12,229)	(12,229)	12,229	12,229	(61,145)	(61,145)	61,145	61,145

2013		Interest rate risk				Other price risk			
		-1%	-1%	1%	1%	-5%	-5%	5%	5%
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Cash	565,629	(5,656)	(5,656)	5,656	5,656	(28,281)	(28,281)	28,281	28,281
Total increase / (decrease)		(5,656)	(5,656)	5,656	5,656	(28,281)	(28,281)	28,281	28,281

Note 13. Key Management Personnel Disclosures

Compensation

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

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Short-term employee benefits	446,093	641,263
Post-employment benefits	15,240	27,338
Long-term benefits	-	-
Share-based payments	-	-
	461,333	668,601

Shareholding

The number of shares in the parent entity held during the financial year by directors and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Balance at date of resignation	Balance at the end of the year
<i>Ordinary Shares</i>				
2014	605,556	85,846,875	-	86,452,431
2013	16,337,578	605,556	16,337,578	605,556

Related party transactions

Related party transactions are set out in note 16.

Note 14. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Audit services		
Audit or review of the financial statements – Grant Thornton	44,110	-
Audit or review of the financial statements – BDO (WA)	-	40,939
	44,110	40,939

Note 15. Commitments and Contingencies

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

Note 16. Related Party Transactions

Parent entity

Imugene Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Key management personnel

Disclosures relating to key management personnel are set out in note 13 and the Remuneration Report in the Directors' Report.

On 20 December 2013, the company issued 300,000,000 shares as consideration for the acquisition of 100% of Biolife Science Qld Pty Ltd. Paul Hopper as a shareholder of Biolife Science Qld Pty Ltd received 68,296,875 shares. This was approved by shareholders at the General Meeting of Shareholders held on 20 December 2013.

		Consolidated	
		30 June 2014	30 June 2013
	Note	\$ AUD	\$ AUD
Transactions with related parties			
The following transactions occurred with related parties:			
Payment for goods and services*:			
Inverness Group Holdings Pty Ltd	(i)	-	139,521
Steinepreis Paganin	(ii)	-	9,847
Rhinomed Limited	(iii)	-	201,017

* excludes cash salaries and directors fees which are disclosed in note 13.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

		Consolidated	
	Note	30 June 2014 \$ AUD	30 June 2013 \$ AUD
Current (payables)/receivables:			
Inverness Group Holdings Pty Ltd	(i)	-	-
Steinepreis Paganin	(ii)	-	-
Rhinomed Limited	(iii)	-	5,721

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

- (i) *During the previous year, Inverness Group Holdings Pty Ltd, a company of which Mr Fabio Panutti is a Director and beneficial shareholder, provided a serviced office, administrative and marketing services as well as reimbursements for overseas expenditure to the Company. For the year ended 30 June 2013, the Group paid \$139,521 to Inverness Group Holdings Pty Ltd and this has been recognised in the financial statements as an expense.*
- (ii) *During the previous year, Steinepreis Paganin, a company of which Roger Steinepreis is a Director and beneficial shareholder, provided legal services to the company. For the year ended 30 June 2013, the Group paid \$9,847 to Steinpreis Paganin and this has been recognised in the financial statements as an expense.*
- (iii) *During the previous year Rhinomed Limited of which Mr Fabio Pannuti was a director, provided management services to the group. As at 30 June 2013, the group paid \$201,017 to Rhinomed Limited and this has been recognised in the financial statements as an expense. As at 30 June 2013 \$5,721 was receivable to the group, representing a refund of overpaid management fees.*

Note 17. Parent Entity Information

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

Statement of Profit or Loss and Other Comprehensive Income

	Parent	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Income / (loss) after income tax	(458,829)	(1,559,566)
Total comprehensive income / (loss)	(458,829)	(1,559,566)

Statement of Financial Position

	Parent	
	30 June 2014	30 June 2013
	\$ AUD	\$ AUD
Current assets	1,731,556	600,157
Non-current assets	4,606,114	106,114
Total Assets	6,337,670	706,271
Current liabilities	241,902	140,778
Non-current liabilities	(2,293,607)	(1,320,973)
Total Liabilities	(2,051,705)	(1,180,195)
Net Assets	8,389,375	1,886,466
Equity		
Issued capital	24,241,812	17,280,072
Reserves	966,003	966,003
Accumulated losses	(16,818,440)	(16,356,609)
Total Equity	8,389,375	1,886,466

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

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

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group as disclosed in note 1.

Note 18. Subsidiaries

Country of incorporation	Principal Activities	Equity holding	
		2014	2013
		%	%
Name of entity			
Brightsun Investments Pty Ltd	Australia	100	100
Vectogen Pty Ltd	Australia	100	100
BioMimic Technologies Pty Ltd	Australia	100	100
Paragen Pty Ltd	Australia	100	100
Lingual Consegna Pty Ltd	Biopharmaceutical development	100	100
Biolife Science QLD Pty Ltd	Biopharmaceutical development	100	-

Note 19. Events after the Reporting Period

On 16th July 2014 the Group announced the engagement with Switzerland based Company, Mymetics SA to exclusively manufacture and develop its cancer immunotherapy HER-Vaxx.

On 26th August 2014 the Group announced the appointment of Charles Walker as Chief Executive Officer of the Group.

There were no other events subsequent to the reporting date of 30 June 2014 that have not been disclosed elsewhere in this report.

Note 20. Reconciliation of Net Loss after Income Tax to Net Cash from Operating Activities

		Consolidated	
		30 June 2014	30 June 2013
		\$ AUD	\$ AUD
a)	Reconciliation of cash flow from operations with loss after income tax:		
	Loss for the period attributable to owners of parent entity	(2,115,964)	(1,559,566)
	Depreciation expense	-	676
	Interest income	-	(23,208)
	Impairment expense	1,691,251	-
	Share based payments	65,985	45,000
	Foreign exchange adjustments	-	27,587
	Fair value adjustment on financial liability	(389,713)	-
	<i>Changes in working capital net of acquisition:</i>		
	Decrease in tax receivable	-	266,672
	Increase in accounts receivable	(426,258)	(13,510)
	Other current assets	(10,678)	-
	Decrease in accounts payable	28,884	(11,644)
	Decrease in provisions	12,395	(100,645)
	Cash flow from operations	(1,144,098)	(1,368,638)

b) Non-cash financing and investing activities

There has been no event not already disclosed elsewhere in the Annual Report.

Note 21. Earnings per share

	Consolidated	
	30 June 2014	30 June 2013
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company (cents per share)	(0.31)	(0.48)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company (cents per share)	(0.31)	(0.48)
Loss used in calculation of basic/diluted earnings/(loss) per share		
Loss	2,115,964	1,559,566
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	689,187,721	325,864,427

Note 22. Fair Value

The Group measures and recognises the following liability at fair value on a recurring basis after initial recognition:

- financial liabilities at fair value through profit or loss

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- | | |
|---------|--|
| Level 1 | Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. |
| Level 2 | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach	Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
Income approach	Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
Cost approach	Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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

Financial liabilities	Level 1		Level 2		Level 3	
	2014	2013	2014	2013	2014	2013
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Financial liabilities at fair value through profit or loss	-	-	-	-	6,873,848	1,004,817

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Mr Paul Hopper
Executive Chairman

28 August 2014
Melbourne

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525 Collins St
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Independent Auditor's Report To the Members of Imugene Limited

Report on the financial report

We have audited the accompanying financial report of Imugene Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Imugene Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$2,115,964 during the year ended 30 June 2014 and, as of that date, the consolidated entity and cash outflows from operating and investing activities equates to \$1,738,488. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity'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.

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 17 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Imugene Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2014

Shareholder Information (as at 6 October 2014)

Ordinary Shares

946,562,516 fully paid ordinary shares are held by 2,200 individual holders.

All ordinary shares carry one vote per share.

Distribution of Ordinary Fully Paid Shareholders Holding Ranges	Ordinary Shares	
	No. of Holders	Total Units
1 - 1,000	566	179,031
1,001 - 5,000	261	856,013
5,001 - 10,000	253	1,940,066
10,001 - 100,000	652	24,975,790
100,001 +	468	918,611,616
Totals	2,200	946,562,516
Unmarketable parcels	1,475	11,264,128

Twenty Largest Ordinary Fully Paid Shareholders		Number	%
	Holder Name		
1.	WebInvest Pty Ltd <OLSB Unit A/C>	62,000,000	6.55
2.	Tisia Nominees Pty Ltd <Henderson Family A/C>	60,000,000	6.34
3.	JK Nominees Pty Ltd	59,975,000	6.34
4.	Denlin Nominees Pty Ltd	30,375,000	3.21
5.	Oaktone Nominees Pty Ltd	29,625,000	3.13
6.	Mr Roger Aston	27,562,500	2.91
7.	Moreglade Pty Ltd	27,562,500	2.91
8.	Kilinwata Investments Pty Ltd	26,953,125	2.85
9.	Rhinomed Ltd	25,000,000	2.64
10.	Bannaby Investments Pty Ltd	20,000,000	2.11
11.	Mr Jason Peterson & Mrs Lisa Peterson	17,300,000	1.83
12.	Mr Brian Leedman & Ms Natasha Leedman	17,226,563	1.82
13.	Viriathus Ltd	17,226,563	1.82
14.	Mr Jason Dennis Roberts <JD Roberts Family A/C>	14,676,666	1.55
15.	Ms Deborah Anne Coleman	13,781,250	1.46
16.	Celtic Capital Pty Ltd <Investment 1 A/C>	13,200,000	1.39
17.	Wainford Holdings Ltd	12,835,207	1.36
18.	Barnaby Investments Pty Ltd <Super Fund A/C>	10,500,000	1.11
19.	Cabletime Pty Ltd	10,000,000	1.06
20.	Ms Anne Ede <Ede Family A/C>	10,000,000	1.06
Total Top 20 Shareholders		505,799,374	53.44
Total Balance of Remaining Shareholders		440,763,142	46.56
Total Issued Capital		946,562,516	100.00

Substantial Shareholders

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial Shareholders	Number of Shares
Paul Hopper	68,296,875
WebInvest Pty Ltd <OLSB Unit Trust>	62,000,000
Tisia Nominees Pty Ltd < Henderson Family a/c>	60,000,000
Oaktone Nominees Pty Limited <Grist Investment A/c>	60,000,000
JK Nominees Pty Limited	59,975,000
Total Number of Shares Held by Substantial Shareholders	310,271,875

Corporate Directory

Directors

Mr Paul Hopper - Executive Chairman
Mr Charles Walker - Chief Executive Officer
Dr Axel Hoos - Non-Executive Director
Mr Otto Buttula - Non-Executive Director

Company Secretary

Mr Justyn Stedwell
Mr Phillip Hains

Registered and Principal Office

Suite 1, 1233 High Street
Armadale, VIC 3143
Australia

Telephone: (61 3) 9824 5254
Facsimile: (61 3) 9822 7735

Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA 6000
Australia

Telephone: 1300 557 010
International: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033

Securities Quoted

Australian Securities Exchange

- Ordinary Fully Paid Shares (Code: IMU)

Patent Attorney

Davies Collison Cave
1 Nicholson Street
Melbourne, VIC 3002
Australia

Auditor

Grant Thornton Audit Pty Ltd
The Rialto, Level 30
525 Collins Street
Melbourne VIC 3000
Australia

Bankers

National Australia Bank
Level 2, 330 Collins Street
Melbourne, VIC 3000
Australia

Securities Exchange Listing

Imugene Limited shares are listed on the Australian
Securities
Exchange (Symbol: IMU)

Website and Email

www.imugene.com
Info@imugene.com