

Imugene Limited

ABN 99 009 179 551

**Annual report
for the year ended 30 June 2016**

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Chairman's letter

Dear Fellow Shareholders

Your company continued to make good progress during the financial year ended June 2016 as we moved closer to commencing our next clinical trial in gastric cancer, whilst at the same time expanding the pipeline under the promising mimotope technology platform.

During the period, Imugene was skillfully led by Ms Leslie Chong who joined us from the bio-pharma giant, Genentech in San Francisco, last August. Leslie has quickly mastered the technology and has demonstrated a clear action plan in bringing HER-Vaxx to the cusp of a Phase 1b trial in gastric cancer which is expected to recruit its first patient shortly.

After extensive consultation and research, a decision was reached to run the Phase 1b study in Asia given the prevalence of gastric cancer in Asian societies. We also decided to select a CRO with strong Asian networks to run the study, and as a result the Sydney based Novotech was engaged early in 2016.


Drug product is complete and awaiting despatch from storage in Singapore, to the clinical sites in Hong Kong, Thailand, and Taiwan.

In January we announced that we had secured a strategic licence and entered into a research collaboration with the Medical University of Vienna for a technology known as mimotopes which greatly extends Imugene's oncology franchise and pipeline.

Whilst being cautious about the early stages of the program, what is particularly exciting is the potential to discover mimotopes for vaccination against cancer targets offering the opportunity to further develop the current treatments concepts of best selling drugs. Shareholders will be kept informed as we progress down this exciting path.

On behalf of the Board, I thank Leslie and the Australian management, and the Austrian scientific team, for their outstanding contribution this year.

The future looks promising



Paul Hopper
Executive Chairman

Imugene Limited Directors' report

Your directors present their report on the consolidated entity consisting of Imugene Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 30 June 2016. Throughout the report, the consolidated entity is referred to as the group.

Directors and company secretary

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

Mr Paul Hopper
Mr Charles Walker
Dr Axel Hoos
Dr Anton Uvarov (appointed 5 January 2016)
Mr Otto Buttula (resigned 15 January 2016)

Principal activities

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

Chief Operating Officer's Report

Dear Shareholders of Imugene,

Thank you for your support and dedication to Imugene.

I will endeavour to take you through the key operating activities in detail and financial review for Imugene's fiscal year in 2015-2016 in this report.

Overall financial results

The group reported a loss for the full-year ended 30 June 2016 of \$2,730,642 (30 June 2015: \$2,440,789). The loss is after fully expensing all research and development costs.

Operations

HER-Vaxx

During the last financial year, myself and the management have been working towards starting a clinical trial for HER-Vaxx in 2016. This has meant focusing on a number of different elements to ensure the trial can happen on time and within budget. These include preclinical work, new formulation work and initiating quality manufacturing processes to ensure the final product is of sufficient quality to be used in clinical trials and to manufacture for the market thereafter. We also engaged a contract research organisation to conduct start-up activities to initiate our clinical trial in gastric cancer. Following is a report on each of these areas;

Drug Manufacture

The manufacturing to GMP standard has been completed.

Imugene Limited

Directors' report

(continued)

Chief Operating Officer's Report (continued)

Operations (continued)

Phase 1B Clinical Trial

Having successfully conducted a Phase 1 clinical trial in patients with HER-2 positive breast cancer, our next trial is to conduct a very targeted trial in patients with HER-2 positive gastric cancer. The Company changed to HER-2 positive gastric cancer as this type is not nearly as well served as breast cancer, still has approximately the same number of patients being HER-2 positive and is more severe than breast cancer offering a significant market opportunity for HER-Vaxx and potentially earlier data read outs. The largest prevalence of gastric cancer is in Asia therefore it makes sense for the trial to be conducted in Asian countries.

The planned trial has been designed to be rigorous enough to appeal to potential partners, and has also been designed to generate as much data as possible from the most efficient protocol for the optimal study design. Given HER-Vaxx targets the immune system and not the cancer directly, it should be possible to get early signs of efficacy from patients by monitoring their immune systems; Through this process it may be possible to tell at an early stage (that is, before the tumour responds) that a patient's immune system is being "turned on" by HER-Vaxx and that the appropriate cancer-fighting antibodies are being produced by the patient to target the cancer. While not evidence itself directly of efficacy, this will be encouraging to see and expected to assist in conducting the trial both from a patient recruitment point of view as well as being able to provide potential partners with important safety and immunogenicity data early on.

After a rigorous selection process, the Company appointed Novotech on 1st December of 2015 as the contract research organisation company to run the Phase 1b clinical trial. Novotech is experienced in managing oncology clinical trials, has expertise in Asia Pacific, is located in Australia and have been working under management's direction in identifying Asian countries, selecting investigators and hospitals for the trial. Along with Imugene's management team, Novotech has submitted to the country's regulatory agencies and hospital ethics review boards the protocol, investigator brochure and other study documents for review and approval in Hong Kong, Thailand and Taiwan.

Preclinical work

Preclinical work is being conducted to meet the toxicology requirements of various regulators and final reports are due by Q3, 2016. Other pre-clinical evaluations continue to understand how HER-Vaxx can be exploited further to ensure the best return on the asset.

Toxicology and Safety Pharmacology

In the 1st quarter of 2016, toxicology and safety pharmacology study on HER-Vaxx began to further prove its safety. This was conducted by a US contract research organisation, WIL Research (Charles River), and is expected to be completed in the 3rd quarter of 2016. This data and report will be included in the investigator brochure that will be submitted for regulatory and ethics review and approval by Q4 of 2016.

Mimotopes

A mimotope is a small molecule, often a peptide, which mirrors the structure of an epitope, the specific target an antibody binds to. Because of this property it induces an antibody response similar to the one elicited by the epitope. A mimotope causes B cells to produce an antibody copy of the antibody you want to "mimic". Mimotopes will form part of the next wave of the immuno-oncology revolution against cutting edge oncology targets. Mimotopes represent a potential tool for selecting novel vaccine candidates against a variety of tumors and potentially greatly extend IMU's oncology franchise and pipeline. Professor Ursula Wiedermann (Imugene CSO) at the University of Vienna along with her team are currently working on pre-clinical laboratory tests to identify a mimotope candidate by late 2016.

Changes to Board and management

On 27 August, I was appointed the Chief Operating Officer (COO) of Imugene.

Mr. Charles Walker and Dr. Anton Uvarov were appointed as Non-Executive directors during the year.

Imugene Limited

Directors' report

(continued)

Chief Operating Officer's Report (continued)

Outlook

The Company has completed preparatory work in the past year to get it in the position of beginning its clinical trial for HER-Vaxx. Having completed all of this work the Company is looking towards a "data rich" clinical trial and some early pointers of efficacy from the Phase 1b element of the Phase 1b/2 trial. The Company believes HER-Vaxx will be part of the immuno-oncology revolution to improve survival of patients and provide transformative cancer therapy.

Financial review

The Group's net assets increased to \$7.9m compared with the previous year to \$7.7M. As at 30 June 2016, the Group had cash reserves of \$1.6M (FY2015: \$2.0m). The overall increase in receivables for the year reflects the receipt of \$1.3M research and development tax rebate. The net carrying value of the Group's intangible assets of \$6.6M has remained unchanged since FY2015.

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; patient recruitment, patient outcomes 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. 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 or any guarantee that the agreements will generate a material commercial return for the Company.

Imugene Limited

Directors' report

(continued)

Chief Operating Officer's Report (continued)

Material business risks (continued)

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 remains 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. 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 commencing the gastric cancer clinical trial in Q4 of 2016.

An equal priority is to identify mimotope candidates to increase our B-Cell peptide vaccine franchise and pipeline.

The Company is excited about the potential for HER-Vaxx as a potential therapy in an area of major need and expanding on our B-Cell peptide franchise in the competitive immuno-oncology market with development with our mimotopes.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the current year.

Imugene Limited
Directors' report
(continued)

Chief Operating Officer's Report (continued)

Event since the end of the financial year

Post 30 June 2016, the company has since received Institutional Review Board (IRB) approvals from sites in Hong Kong, Taiwan and Thailand. In Thailand, we have received the required approvals to commence site activation process for HER-Vaxx 1B/2 study in gastric cancer.

On 30 August 2016, the company completed the manufacturing of its clinical-grade HER-Vaxx vaccines and are ready for despatch to the trial sites.

On 20 September of 2016, we received the final audited preclinical toxicology and safety pharmacology reports which states that no adverse effects were noted and high cancer fighting antibody responses were generated in two species (rats and beagles).

On 22 September 2016, the company received a research and development tax refund of \$1.3M as part of the Australian government's R&D incentive program

I am grateful for your kind attention and continued support.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Leslie Chong', is positioned above the printed name and title.

Leslie Chong
Chief Operating Officer

Imugene Limited
Directors' report
(continued)

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	<p>Mr Hopper has over twenty years' experience in the management and funding of biotechnology and healthcare public companies both as CEO and Director, with extensive capital markets experience in equity and debt raisings in Australia, Asia, US and Europe. Mr Hopper's sector experience has covered a number of therapeutic areas with a particular emphasis on immunotherapy and cancer vaccines.</p> <p>He is Head of the Australia Desk and Head of the Life Sciences and Biotechnology practice at the Los Angeles merchant bank Cappello Group where he is a partner. Mr Hopper has served as CEO and Director of many listed biotechnology and healthcare companies in Australia and the US.</p>	
Date of appointment	31 October 2012	
Other current directorships	Prescient Therapeutics Limited (formerly Virax Holdings Limited) (ASX: PTX) Viralytics Limited (ASX:VLA)	
Former directorships in last 3 years	pSivida Corp (ASX:PVA)	
Special responsibilities	Audit and Risk Committee and Remuneration and Nomination Committee	
Interests in shares and options	Shares	71,196,875
	Options	Nil

Mr Charles Walker Non-Executive Director		
Experience and expertise	<p>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. Mr Walker was previously CEO and former CFO of Alchemia (ASX:ACL)</p>	
Date of Appointment	Appointed as Non-Executive Director on 13th September 2015	
Former directorships in last 3 years	-	
Special responsibilities	Audit and Risk Committee and Remuneration and Nomination Committee	
Interests in shares and options	Shares	26,500,000
	Options	4,083,334

Imugene Limited
Directors' report
(continued)

Information on directors (continued)

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	
Former directorships in last 3 years	-	
Special responsibilities	Audit and Risk Committee and Remuneration and Nomination Committee	
Interests in shares and options	Shares	7,500,000
	Options	25,000,000

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	
Date of resignation	15 January 2016	
Former directorships in last 3 years	-	
Special responsibilities	Audit and Risk Committee and Remuneration and Nomination Committee	
Interests in shares and options	Shares	107,000,000
	Options	Nil

Imugene Limited
Directors' report
(continued)

Information on directors (continued)

Dr Anton Uvarov Non-Executive Director		
Experience and expertise	<p>Dr Uvarov has significant experience as an equity analyst in the healthcare sector, both domestically and internationally. Prior to moving to Australia he was with Citigroup Global Markets where he spent two years as a member of the New York based biotechnology team.</p> <p>Dr Uvarov holds a PhD degree in Biotechnology and Medical Genetics from the University of Manitoba, Canada and an MBA degree from the University of Calgary, Canada.</p>	
Date of appointment	5 January 2016	
Other current directorships	Actinogen Limited (ASX: ACW)	
Former directorships in last 3 years	Sun Biomedical Limited (ASX: SBN) Acuvax Limited (ASX: ACU)	
Special responsibilities	-	
Interests in shares and options	Shares	Nil
	Options	Nil

Information on officers

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

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	
Interests in shares and options	Shares	Nil
	Options	Nil

Imugene Limited
Directors' report
(continued)

Information on officers (continued)

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	
Interests in shares and options	Shares	Nil
	Options	Nil

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Paul Hopper	9	9	6	6
Charles Walker	9	9	6	6
Axel Hoos	8	9	6	6
Anton Uvarov	5	5	3	3
Otto Battula (resigned 15 January 2016)	3	4	2	3

Remuneration report (audited)

The directors present the Imugene Limited 2016 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The report is structured as follows:

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

Imugene Limited

Directors' report

(continued)

Remuneration report (audited) (continued)

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

Remuneration governance

At present the functions of the Remuneration and Nomination Committee in relation to the remuneration of the 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 and Nomination Committee, is to ensure that pay and rewards are competitive and appropriate for the results delivered. The Remuneration and Nomination Committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short and long-term incentives as appropriate.

Non-executive directors

The maximum amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting and is currently at a maximum of AUD/ USD \$45,000 per director per annum. 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' fees and payments are reviewed annually or otherwise as required by the Board.

Retirement benefits and allowances

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

Other benefits

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

Executive pay

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

Base pay

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

Short-term and long term incentives

Contractual agreements with key management personnel provide for the provision of incentive arrangements. There are currently short-term/long-term incentive schemes in place within individual contracts of the company's employees, refer to Service Agreements section of the Directors' Report.

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).

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

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

Voting and comments made at the Company's 2015 Annual General Meeting

The company received 99% of 'yes' votes on its remuneration report for the 2015 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 following persons held office as directors of Imugene Limited during the financial year:

Mr Paul Hopper, Executive Chairman
Mr Charles Walker, Non-Executive Director
Dr Axel Hoos, Non-Executive Director
Dr Anton Uvarov, Non-Executive Director (appointed 5 January 2016)
Mr Otto Buttula, Non-Executive Director (resigned 15 January 2016)

And the following persons:

Ms Leslie Chong, Chief Operating Officer
Mr Phillip Hains, Chief Financial Officer and Joint Company Secretary
Dr Nicholas Ede, Head of Manufacturing and Operations

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

	Short-term benefits				Post employment benefits	Long-term benefits	Share-based payments			% of total remuneration		
	Cash salary and fees	Bonus	Non-monetary	Other	Superannuation	Long service leave	Equity settled shares	Equity settled options	Total	not related to performance	At risk STI	At risk LTI
2016	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Non-executive directors:												
Axel Hoos	61,746	-	-	-	-	-	-	33,050	94,796	65%	-	35%
Otto Buttula	22,287	-	-	-	2,117	-	-	-	24,404	100%	-	-
Charles Walker (i)	32,877	-	-	-	3,123	-	-	-	36,000	100%	-	-
Anton Uvarov	22,500	-	-	-	-	-	-	-	22,500	100%	-	-
Executive directors												
Paul Hopper (ii)	272,197	-	-	76,209	-	-	-	-	348,406	100%	-	-
Other key management personnel:												
Charles Walker (i)	138,307	-	-	-	12,058	-	-	-	150,365	100%	-	-
Leslie Chong	229,070	-	-	-	16,649	-	20,000	57,183	322,902	76%	6%	18%
Nicholas Ede	173,333	-	-	-	16,467	-	-	9,581	199,381	95%	-	5%
Total	952,317	-	-	76,209	50,414	-	20,000	99,814	1,198,754			

(i) Charles Walker had resigned as Managing Director on 13 September 2015, he was appointed immediately as a Non-Executive Director

(ii) Mr. Hopper's remuneration for the year consisted of US\$200,000 as per his employment contract from 20 December 2013. For the year Mr. Hopper has only been paid a cash component of US\$100,000(AU\$137,406). The balance of US\$100,000 (AU\$134,791) has been deferred by mutual agreement. The remuneration disclosed in 'Other Short-term benefits' (\$76,209) was deferred remuneration for 2015 financial year. Mr. Hopper has consented to defer part of his fee in consideration of the funding requirements of the company until the company is in a stronger cash position.

(iii) In FY2016 Phillip Hains has stepped down from Key Management Personal in his position as CFO as he is no longer a key decision maker for the company.

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			% of total remuneration		
	Cash salary and fees	Bonus	Non-monetary	Superannuation	Long service leave	Equity settled shares	Equity settled options	Total	not related to performance	At risk STI	At risk LTI
2015	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Non-executive directors:											
Axel Hoos (i)	53,640	-	-	-	-	-	138	53,778	100%	-	-
Otto Buttula	40,674	-	-	3,864	-	-	-	44,538	100%	-	-
Executive directors:											
Charles Walker (ii)	84,012	-	-	7,125	-	-	-	91,137	100%	-	-
Nicholas Ede (iii)	71,494	-	-	4,925	-	-	-	76,419	100%	-	-
Paul Hopper	119,200	-	-	-	-	-	-	119,200	100%	-	-
Other key management personnel:											
Charles Walker (ii)	78,462	-	-	7,454	-	173,750	-	259,666	33%	67%	-
Phillip Hains (iv)	124,800	-	-	-	-	-	-	124,800	100%	-	-
Nicholas Ede (iii)	117,320	-	-	10,751	-	-	10,910	138,981	100%	-	-
Total	689,602	-	-	34,119	-	173,750	11,048	908,519			

(i) Subject to shareholder approval, Dr Hoos has entitlement to options that have vesting conditions determined by patient recruitment, as at the 30 June 2015 these options have not been granted, an expense has been recognised for a relative portion for progress towards the conditions.

(ii) Appointed as CEO 26 August 2014, appointed as Managing Director 30 January 2015

(iii) Resigned as Executive Director 23 October 2014

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

Imugene Limited

Directors' report

(continued)

Remuneration report (audited) (continued)

(c) Service agreements

The key management personnel of the group consisted of the following directors of Imugene Limited:

Executives

Mr. Paul Hopper

The employment conditions of the Executive Chairman, Mr Paul Hopper is formalised in a consulting agreement which commenced on the 20 December 2013. This contract stipulates a salary of US\$200,000pa. Initially the consulting fee will be US\$100,000pa and upon the completion of a capital raising in 2014, the consulting fee will increase to US\$200,000pa.

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

Non-executive directors

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

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the 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 AUD/USD 45,000 pa, plus GST where applicable. Directors' fees cover all main board activities and committee memberships.

Key management personnel

Ms. Leslie Chong

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

In FY2016, it was determined by the board that Ms Chong was not eligible for her 30% performance bonus.

Ms Chong will be awarded 27 million options to subscribe for ordinary shares in Imugene Limited subject to continued employment. These will be vest in the following tranche's:

Tranche 1, 9 million options vesting on 30 June 2016 at \$0.0125 per option

Tranche 2, 9 million options vesting on the second anniversary of the commencement date at \$0.015 per option

Tranche 3, 9 million options vesting on the third anniversary of the commencement date at \$0.0175 per option

The expiry date of the options is five years after the commencement date.

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(c) Service agreements (continued)

Key management personnel (continued)

Dr. Nicholas Ede

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

Tranche 1, 2.25 million options vesting 10 November 2015 subject to continued employment at \$0.01 per option
Tranche 2, 2.25 million options vesting 10 May 2016 subject to continued employment at \$0.01 per option

In addition to his options, Dr. Ede has a goal based bonus which states that if the satisfaction of applicable conditions, including relevant milestones are achieved, Dr Nicholas Ede is entitled to a one off bonus of \$35,000. In FY2016, it was determined by the board that Dr. Ede was not eligible for his bonus.

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

(d) Share-based compensation

(i) Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Date	No. of shares	\$ AUD
Leslie Chong	26 October 2015	2,222,223	20,000

Shares were issued as a sign-on bonus at \$0.009 per share to the Leslie Chong as part of an employment service agreement.

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(d) *Share-based compensation (continued)*

(ii) *Options*

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant Date	No. Options granted	No. Options vested	Fair value per option at grant date	Exercise price	Expiry date	Value of options at grant date
<i>Non-Executive Directors:</i>							\$
Axel Hoos	26 October 2015	10,000,000	-	\$0.00162	\$0.015	26 October 2016	16,224
Axel Hoos	26 October 2015	10,000,000	-	\$0.00164	\$0.015	26 October 2018	16,429
Axel Hoos	26 October 2015	2,500,000	-	\$0.005	\$0.0125	26 October 2019	12,519
Axel Hoos	26 October 2015	2,500,000	-	\$0.005	\$0.0175	26 October 2019	12,519
<i>Key management personnel:</i>							
Leslie Chong	26 October 2015	9,000,000	9,000,000	\$0.004	\$0.0125	14 September 2020	37,039
Leslie Chong	26 October 2015	9,000,000	-	\$0.0037	\$0.015	14 September 2020	33,434
Leslie Chong	26 October 2015	9,000,000	-	\$0.0034	\$0.0175	14 September 2020	30,430
Total		52,000,000	9,000,000				158,594

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(d) Share-based compensation (continued)

(iii) Options (continued)

Axel Hoos

- Tranche 1 - 10,000,000 million options with an exercise price of \$0.015, vesting if the Company's share price exceeds \$0.015 based on a 5 day VWAP calculation.
- Tranche 2 - 10,000,000 million options with an exercise price of \$0.015, vesting if the Company achieves a successful licensing or partnering transaction, capital raising (excluding the recent raising), merger or acquisition.
- Tranche 3 - 2,500,000 options with an exercise price of \$0.0125 per option, vesting upon recruitment of the first patient for a Phase 1b trial.
- Tranche 4 - 2,500,000 options with an exercise price of \$0.0175 per option, vesting on recruitment of the first patient for a Phase 2 trial.

The expiry date for Tranche 1 is 12 months from the date of issue. The expiry date for Tranche 2 is 3 years from the date of issue. The expiry date for Tranches 3 and 4 is 4 years from the date of issue.

Any options not vested will lapse if Dr Hoos ceases to be a director of the Company (unless otherwise approved by the Board).

Leslie Chong

- Tranche 1 - 9,000,000 options with an exercise price of \$0.0125, vesting on 30 June 2016 (subject to ongoing employment with the Company).
- Tranche 2 - 9,000,000 options with an exercise price of \$0.015, vesting on the second anniversary of the commencement of Leslie Chong's employment with the Company (Commencement Date), subject to ongoing employment with the Company).
- Tranche 3 - 9,000,000 options with an exercise price of \$0.0175, vesting third anniversary of the commencement date, subject to ongoing employment with the Company).

The expiry date for Tranche 1 is 12 months from the date of issue. The expiry date for Tranche 2 is 3 years from the date of issue. The expiry date for Tranches 3 and 4 is 4 years from the date of issue.

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(e) Relationship between the remuneration policy and group performance

Statutory performance indicators

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

The tables below set out summary information about the group's earnings and movement in shareholder wealth for the five years to 30 June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Revenue	39,402	38,355	27,101	23,208	244,591
Net (loss)/profit before tax	(2,730,642)	(2,440,789)	(2,115,964)	(1,559,566)	(3,133,433)
Net (loss)/profit after tax	(2,730,642)	(2,440,789)	(2,115,964)	(1,559,566)	(3,133,433)

No dividends have been paid for the five years to 30 June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Share price at start of year	0.011	0.013	0.004	0.010	0.030
Share price at end of year	0.008	0.011	0.013	0.004	0.010
Basic earnings/ (loss) per share (cents)	(0.19)	(0.21)	(0.31)	(0.48)	(2.18)
Diluted earnings/ (loss) per share (cents)	(0.19)	(0.21)	(0.31)	(0.48)	(2.18)

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(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:

2016	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
<i>Ordinary shares</i>							
Paul Hopper	69,796,875	-	-	1,400,000	-	-	71,196,875
Axel Hoos	7,500,000	-	-	-	-	-	7,500,000
Otto Buttula (resigned 15 Jan 2016)	77,000,000	-	-	30,000,000	-	107,000,000	-
Nicholas Ede	8,100,000	-	-	2,000,000	(5,100,000)	-	5,000,000
Charles Walker	25,000,000	-	-	1,500,000	-	-	26,500,000
Leslie Chong	-	-	2,222,223	-	-	-	2,222,223
	187,396,875	-	2,222,223	34,900,000	(5,100,000)	107,000,000	112,419,098

Imugene Limited
Directors' report
(continued)

Remuneration report (audited) (continued)

(f) *Key management personnel disclosures (continued)*

Option holding

The number of options over ordinary 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:

2016	Balance at the start of the year	Granted as remuneration	Acquired	Exercised	Expired/ forfeited/ other	Balance at the end of the year	Vested & Exercisable	Un-vested & Un-exercisable
<i>Options</i>								
Axel Hoos	-	25,000,000	-	-	-	25,000,000	-	25,000,000
Charles Walker	-	-	4,083,334	-	-	4,083,334	4,083,334	-
Otto Buttula (resigned 15 Jan 2016)	-	-	25,266,667	-	(25,266,667)	-	-	-
Paul Hopper	-	-	9,306,251	-	(9,306,251)	-	-	-
Leslie Chong	-	27,000,000	296,297	-	-	27,296,297	9,296,297	18,000,000
Nicholas Ede	4,500,000	-	-	-	-	4,500,000	4,500,000	-
	4,500,000	52,000,000	38,952,549	-	(34,572,918)	60,879,631	17,879,631	43,000,000

END OF REMUNERATION REPORT

Imugene Limited

Directors' report

(continued)

Related party transactions

There were no related party transactions during the period.

Shares under option

(a) Unissued ordinary shares

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

Date options granted	Expiry date	Issue price of shares	Number under option
15 December 2014	14/07/2019	0.0250	2,500,000
16 February 2015	10/11/2017	0.0100	4,500,000
25 August 2015	14/09/2019	0.0125	9,000,000
25 August 2015	14/09/2019	0.0150	9,000,000
25 August 2015	14/09/2019	0.0175	9,000,000
15 October 2015	31/03/2017	0.0150	371,177,356
26 October 2015	26/10/2016	0.0150	10,000,000
26 October 2015	26/10/2018	0.0150	10,000,000
26 October 2015	26/10/2019	0.0125	2,500,000
26 October 2015	26/10/2019	0.0175	2,500,000
			<hr/> 430,177,356

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.

Insurance of officers and indemnities

(a) 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.

(b) Indemnity of auditors

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

During the financial 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.

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

Imugene Limited
Directors' report
(continued)

Non-audit services

During the year ended 30 June 2016 the group did not engage the external auditor to provide non-audit services.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Auditor

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

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



Paul Hopper
Executive Chairman

Melbourne
28 September 2016

Intellectual property

Imugene currently has rights to a family of patents/patent applications that protect its core platform immunotherapy technologies (Biolife Science Qld Pty Ltd (HER-Vaxx). 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 carrier protein such as CRM197. This patent, acquired in December 2013 from Pevion Biotech (Switzerland), protects "HER-Vaxx" in major markets until at least 2030. The patent is fully granted in the USA and Europe.

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

In April 2016 Imugene filed a new PCT patent titled "A Vaccine Composition and Uses Thereof" (PCT/AU2016/050275), potentially extending HER-Vaxx patent life to 2036.

- 'A vaccine composition and uses thereof', PCT/AU2016/050275, claims the specific P467-CRM197 plus Montanide adjuvant vaccine formulation commencing a Phase Ib clinical trial in 2016.

This new filing protects innovative new vaccine formulations designed to enhance the immune response obtained on administration of HER-Vaxx, a proprietary HER2 positive cancer immunotherapy that stimulates a polyclonal antibody response in patients with HER-2 positive cancers. The enhanced formulation of HER-Vaxx incorporates an existing, clinically and commercially validated vaccine carrier protein called CRM197 together with an adjuvant Montanide.

Maintaining and strengthening our already strong international intellectual property position is a key area of focus in maintaining the competitive advantage of HER-Vaxx and any future improvements, vaccine formulations and clinical uses. This new patent filing potentially protects HER-Vaxx until 2036 which would be significantly longer than the vast majority of competing clinical stage products and technologies. The additional patent life adds an additional six years to the time HER-Vaxx could remain generating peak sales, adding to the total amount of potential sales achievable by HER-Vaxx and hence significantly increasing the value of HER-Vaxx.

Intellectual property

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	Granted
United States of America	13/389419	Granted

Title: A Vaccine composition and Uses Thereof

Country	Patent No.	Case status
Australia	PCT/AU2016/050275	Pending

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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 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Imugene Limited

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.

Imugene Ltd and its controlled entities have adopted the third edition of the 'Corporate Governance principles and Recommendations' which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The corporate governance statement for the financial year ending 30 June 2016 is dated as at 30 June 2016 and was approved by the Board on 28 September 2016.

Principle 1: Lay solid foundations for management and oversight

Role of the board & executive management

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 Managing Director and assisting 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 Managing Director or, if the matter concerns the Managing 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.

Board appointments

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

Imugene Limited

Corporate governance statement

(continued)

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

The Company Secretary

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

Diversity

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

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

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

As the Company grows and requires the services of more 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 following table demonstrates the Company's gender diversity as at the date of this report:

	Number of males	Number of females
Directors	4	-
Key Management Personnel	1	1
Other Company Employees/ Consultants	3	1

Board performance review

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

The Board has adopted an informal self-evaluation process to measure its own performance. The performance of the Board and individual directors is reviewed at least every year by the Board as a whole. This process includes a review in relation to the composition and skills mix of the Directors of the Company. Performance reviews involve analysis based on key performance indicators aligned with the financial and non financial objectives of the Company. A performance review in accordance with the processes disclosed occurred during the 2016 financial year.

Performance review of KMP

On at least an annual basis, the Board conducts a formal performance review of the Chief Executive Officer or equivalent and any other key management personnel (KMP). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. A performance review of KMP occurred during the 2016 financial year in accordance with this process.

Imugene Limited

Corporate governance statement

(continued)

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

Independent advice

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

Principle 2: Structure the board to add value

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

Skills, experience, expertise of each director

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

Directors' independence

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

The Board does not consist of a majority of Independent Directors. The Board considers that the presence of at least one independent director on the Board is sufficient given the size of the Company and the Board, and the nature and scope of the Company's current operations. Two of four current directors, Dr Axel Hoos and Anton Uvarov, are 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.

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

Nomination of directors

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

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

Imugene Limited

Corporate governance statement

(continued)

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

Induction of new directors and ongoing development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

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

Principle 3: Promote 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.

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.

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

The Board has established an Audit and Risk Committee (Audit Committee), which consists of all Board members and is Chaired by Non-Executive Director, Anton Uvarov, who is an independent director.

The Board considers that the presence of two non-executive directors and at least one independent director, on Board Committees is sufficient given the size of the Company and the Board, and the nature and scope of the Company's current operations.

The Board has adopted an Audit Committee Charter, which describes the role, composition, operations and responsibilities of the Audit Committee. Due to the size of the 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 Company's Audit Committee Charter is available on the Company's website.

CEO and CFO Declarations

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

Imugene Limited

Corporate governance statement

(continued)

Principle 4: Safeguard integrity in financial reporting (continued)

External auditors

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the 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 external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

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

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

Principles 5: Make timely and balanced disclosures

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

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

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

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

Principles 6: Respect the rights of shareholders

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

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

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

Imugene Limited

Corporate governance statement

(continued)

Principles 6: Respect the rights of shareholders (continued)

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the “contact us” page of the Company’s website.

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

The Company maintains information in relation to its corporate governance documents, Directors and senior executives, Board and committee charters and annual reports on the Company’s website.

Principle 7: Recognise and manage risk

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

The Board has adopted a Risk Management Policy which sets out the Company’s risk management frame. 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. The Company does not have an internal audit function.

The Company’s Risk Management Policy is periodically reviewed and updated. A review of the Company’s risk management framework was conducted by the Board during the 2016 financial year.

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

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

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

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

The 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 the Company’s management of its material business risks at each board meeting. During the reporting period, management has reported to the Board as to the effectiveness of the Company’s management of its material business risks.

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

Imugene Limited

Corporate governance statement

(continued)

Principle 7: Recognise and manage risk (continued)

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

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

The Company also manages ongoing risk through the Audit Committee. The functions and responsibilities of that Committee are outlined earlier in this section of the report and are set out in Audit Committee Charter which is available on the Company's website.

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee which consists of all Board members and is Chaired by Independent Director, Dr. Axel Hoos. The Committee does not consist of a majority of Independent Directors with two of four members being independent. The Board considers that the presence of two non-executive directors and at least one independent director, on Board Committees is sufficient given the size of the 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 and/or shares granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

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

There were no formal Remuneration and Nomination Committee Meetings held during the year, however, the Board in its capacity as the Remuneration and Nomination Committee addresses remuneration and nomination matters as an agenda item at each Board Meeting. The Company's Remuneration and Nomination Committee Charter is available on the Company's website.

Imugene Limited
Statement of profit or loss and other comprehensive income

	Consolidated entity	
	30 June	30 June
	2016	2015
Notes	\$	\$
Revenue		
Revenue	39,402	38,355
Other income	1,524,869	600,321
Expenses		
Business development	(363,232)	(240,984)
Commercialisation expenses	(116,025)	(99,981)
Corporate administration expenses	(1,090,667)	(875,050)
Research and development expenses	(2,697,735)	(1,668,558)
Fair value adjustment to financial liability	-	141,754
Depreciation expense	(1,156)	-
Impairment expense	-	(274,093)
Foreign exchange gain/(loss)	(26,098)	(62,553)
Loss before income tax	(2,730,642)	(2,440,789)
Income tax expense	4 -	-
Loss for the period	(2,730,642)	(2,440,789)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income (loss) for the period	(2,730,642)	(2,440,789)
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic loss per share (cents per share)	(0.19)	(0.21)
Diluted loss per share (cents per share)	(0.19)	(0.21)

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

Imugene Limited

Statement of financial position

		Consolidated entity	
		30 June	30 June
		2016	2015
Notes		\$	\$
ASSETS			
Current assets			
		1,582,583	1,956,992
	5	1,312,631	541,387
		17,878	16,584
		2,913,092	2,514,963
Total current assets			
Non-current assets			
		20,000	-
		2,956	-
	6	6,599,755	6,599,755
		6,622,711	6,599,755
Total non-current assets			
Total assets			
		9,535,803	9,114,718
LIABILITIES			
Current liabilities			
	7	657,321	317,456
	8	36,491	13,159
	9	-	66,650
		693,812	397,265
Total current liabilities			
Non-current liabilities			
	9	985,450	985,450
		985,450	985,450
Total non-current liabilities			
Total liabilities			
		1,679,262	1,382,715
Net assets			
		7,856,541	7,732,003
EQUITY			
	10	30,407,225	27,682,224
	11	1,096,320	966,141
		(23,647,004)	(20,916,362)
Total equity			
		7,856,541	7,732,003

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

Imugene Limited

Consolidated statement of changes in equity

Consolidated entity	Attributable to owners of Imugene Limited			Total \$
	Share capital \$	Share-based payment reserve \$	Accumulated losses \$	
Balance at 1 July 2014	24,241,812	966,003	(18,475,573)	6,732,242
Profit for the period	-	-	(2,440,789)	(2,440,789)
Total comprehensive income for the period	-	-	(2,440,789)	(2,440,789)
Transactions with owners in their capacity as owners:				
Shares issued	3,757,250	-	-	3,757,250
Capital raising costs	(342,203)	-	-	(342,203)
Shares/ options issued	25,365	(25,365)	-	-
Share-based payment expense	-	25,503	-	25,503
	3,440,412	138	-	3,440,550
Balance at 30 June 2015	27,682,224	966,141	(20,916,362)	7,732,003
Balance at 1 July 2015	27,682,224	966,141	(20,916,362)	7,732,003
Profit for the period	-	-	(2,730,642)	(2,730,642)
Total comprehensive income for the period	-	-	(2,730,642)	(2,730,642)
Transactions with owners in their capacity as owners:				
Shares issued	3,020,000	-	-	3,020,000
Capital raising costs	(264,634)	-	-	(264,634)
Share-based payment expense	-	99,814	-	99,814
Options issued (1)	(30,365)	30,365	-	-
	2,725,001	130,179	-	2,855,180
Balance at 30 June 2016	30,407,225	1,096,320	(23,647,004)	7,856,541

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

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

Imugene Limited
Consolidated statement of cash flows

	Consolidated entity	
	30 June	30 June
	2016	2015
Notes	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(3,852,300)	(2,655,411)
Interest received	39,402	38,355
Other income	7,500	-
Other (R&D refund)	755,855	573,472
Net cash (outflow) from operating activities	20(a) (3,049,543)	(2,043,584)
Cash flows from investing activities		
Payments for property, plant and equipment	(4,112)	-
Payments for term deposits	(20,000)	-
Payments for IP	(66,650)	(463,617)
Net cash (outflow) from investing activities	(90,762)	(463,617)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	3,000,000	3,583,500
Capital raising costs	(264,634)	(342,203)
Net cash inflow from financing activities	2,735,366	3,241,297
Net (decrease) increase in cash and cash equivalents	(404,939)	734,096
Cash and cash equivalents at the beginning of the financial year	1,956,992	1,222,896
Effects of exchange rate changes on cash and cash equivalents	30,530	-
Cash and cash equivalents at end of period	1,582,583	1,956,992

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

Imugene Limited

Notes to the consolidated financial statements

1 Summary of significant accounting policies

(a) Corporate information

The financial report of Imugene Limited and its subsidiaries (the 'group') for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on the 25 August 2016. 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 Securities Exchange. The principal activity of the group is the research and development of HER2 +ve gastric and breast cancer vaccines.

(b) Basis of preparation

The general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for a for-profit oriented entity. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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.

(c) Going concern

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

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

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(c) Going concern (continued)

Notwithstanding the requirement to access additional funding for the group, 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.

(d) New and amended standards adopted by the group

AASB 2015-4 - *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent* has been adopted by Imugene Limited in the current period.

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the company.

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

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

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(e) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should: 1 - Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and 2 - Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.	Accounting periods beginning on or after 1 January 2016

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(e) New standards and interpretations not yet adopted (continued)

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments to AASB 116 prohibit the use of a revenue based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.	Accounting periods beginning on or after 1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.	Accounting periods beginning on or after 1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.	Accounting periods beginning on or after 1 January 2016

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(e) New standards and interpretations not yet adopted (continued)

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.	Accounting periods beginning on or after 1 January 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.	Accounting periods beginning on or after 1 January 2017

(f) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imugene Limited as at 30 June 2016 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.

(g) 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.

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

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

Research and Development Tax refund - 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.

(h) 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.

(i) 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.

(j) Cash and cash equivalents

Cash and short-term deposits in the Consolidated 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 flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(k) 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.

(l) 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.

(m) 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.

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(n) 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.

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

(o) 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 flows 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 Consolidated statement of financial position.

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(p) Intangible assets

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

(i) In-process research and development

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

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

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

(ii) Patents, licenses and other rights costs

Patent costs are expenses as incurred.

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

(q) 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.

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(q) Research and development costs (continued)

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.

(r) 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.

(s) Other financial assets

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

(t) 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.

(u) 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.

(v) 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.

Imugene Limited

Notes to the consolidated financial statements

(continued)

1 Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Long service leave

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

(iii) Termination benefits

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

(x) 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.

(y) 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 adjusts the figures used in the determination of basic earnings per share to take into account:

- 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.

(z) Parent entity financial information

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

Imugene Limited
Notes to the consolidated financial statements
(continued)

1 Summary of significant accounting policies (continued)

(aa) 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:

(i) Impairment of intangible assets

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

For patents, licences and other rights, these estimates are not valid as the company has impaired the intangible asset to zero due to an inability to find a buyer. Refer to Note 6 for more details.

(ii) Provision for employee benefits

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

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

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

2 Revenue

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Revenue		
Interest received	39,402	38,355
	39,402	38,355
Other revenue		
Revenue from research, development and commercialisation (R&D tax refund)	1,517,369	600,321
Other	7,500	-
	1,524,869	600,321

Imugene Limited
Notes to the consolidated financial statements
(continued)

2 Revenue (continued)

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Significant expenses included in net loss before tax		
Depreciation expense	(1,156)	-
Impairment expense	-	(274,093)
Fair value adjustment to financial liability	-	141,754
Superannuation	(56,747)	(34,120)
Share based payments	(119,814)	(199,253)
	<u>(177,717)</u>	<u>(365,712)</u>

3 Segment information

(a) Description of segments and principal activities

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

(b) Segment revenue

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Revenue from research, development and commercialisation (R&D tax refund)	1,517,369	600,321
Revenue from other corporate activities	46,902	38,355
Total segment revenue	<u>1,564,271</u>	<u>638,676</u>

(c) Segment assets

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Reportable segment assets		
Asset from research, development and commercialisation	7,917,137	7,135,623
Assets from other activities		
Cash and cash equivalents	1,582,583	1,956,992
Property, plant and equipment	2,956	-
Other assets	33,127	22,103
	<u>9,535,803</u>	<u>9,114,718</u>

Imugene Limited
Notes to the consolidated financial statements
(continued)

3 Segment information (continued)

(d) Segment liabilities

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Liabilities from research, development and commercialisation	985,450	1,052,100
Liabilities from other corporate activities:		
Trade and other payables	657,321	317,456
Other corporate liabilities	36,491	13,159
Total segment liabilities	1,679,262	1,382,715

(e) Reportable segment profit/ (loss)

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Profit/ (loss) are disclosed below based on the reportable segment:		
Profit/ (loss) from research, development and commercialisation	(1,659,623)	(1,541,541)
Profit/ (loss) from other activities	(1,071,019)	(899,248)
	(2,730,642)	(2,440,789)

4 Income tax expense

The group has not commenced significant trading. At its current stage of operational development the group is not in a position to satisfy the 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.

(a) Income tax expense

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Current tax	-	-
Adjustments for current tax of prior periods	-	-
Deferred tax	-	-
Income tax expense	-	-

Imugene Limited
Notes to the consolidated financial statements
(continued)

4 Income tax expense (continued)

(a) Income tax expense (continued)

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Profit from continuing operations before income tax expense	(2,730,642)	(2,440,789)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	(819,193)	(732,237)
Tax effect of amounts which are not deductible (taxable)		
in calculating taxable income:		
Non assessable R&D grant income	(455,211)	(180,096)
Non allowable expenses	864,922	357,245
Tax losses and other timing differences for which no DTA is recognised	409,482	555,088
Income tax expense	-	-

(c) Unrecognised temporary differences

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Unused tax losses and temporary differences for which a deferred tax asset has not been recognised	16,718,956	15,354,015
Potential tax benefit at 30%	5,015,687	4,606,204

5 Trade and other receivables

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Trade receivables	-	1,920
GST refund	15,249	3,599
R&D tax refund	1,297,382	535,868
	1,312,631	541,387

The group did not have any receivables that were past due as at 30 June 2016 (30 June 2015: Nil). The group did not consider a credit risk on the aggregate balances as at 30 June 2016.

Imugene Limited
Notes to the consolidated financial statements
(continued)

6 Intangible assets

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
In process, research and development (acquired)		
Biolife	6,599,755	6,599,755
Patents, licenses and other rights		
Linguet	-	-

As per AASB 138, the Company's investment in Biolife Science Qld Pty Ltd is being initially measured at cost, less any accumulated amortisation and accumulated impairment loss. The Company fully controls the asset via way of a 100% share ownership in the company 'Biolife Science Qld'. In addition to this, the company also has various patents granted over the technology in multiple countries (refer to Intellectual Property report), the board fully believes that the investment in Biolife Science Qld Pty Ltd will be able to generate future economic benefit.

'Linguet' is a proprietary drug delivery technology, the technology provides a buccal and sublingual tablet drug delivery technology for many drugs that are usually poorly absorbed or tolerated by oral administration, the Linguet technology allows these drugs to be delivered to the bloodstream more effectively.

In FY2015, the board had fully impaired the Linguet asset technology as they believed the asset could not provide any reasonable or foreseeable economic benefit.

In addition to this, the board decided to hold for sale the residual intellectual property the company held in 'Linguet'

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

In-process research and development acquired is considered to be not yet available for use on the basis that it is incomplete and cannot be used in its current form, refer to note 1. The recoverable amount of in-process research and development was assessed at the end of the financial year based on the fair value less costs to sell.

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

- the market capitalisation of Imugene Limited on the Australian Securities Exchange (ASX:IMU) on the impairment testing date of 30 June 2016 in excess of the net book value of assets;
- comparisons with companies in a similar field of development and similar stage;
- the scientific results and progress of the trials; and

Costs of disposal were considered to be immaterial.

(ii) Impairment of patents, licenses and other rights

The Board have assessed that patents, licenses and other rights are not amortised until they are ready for use, ie commercialised.

On the 26th May 2016, the company had disposed of the residual intellectual property that was being held for sale in Linguet. The company now holds royalty rights if the technology was ever to make it to a commercialised market.

Imugene Limited
Notes to the consolidated financial statements
(continued)

6 Intangible assets (continued)

Consolidated entity	In-process research and development (acquired)	Total
Non-Current assets	\$	\$
At 1 July 2014 and 30 June 2015		
Net book amount	6,599,755	6,599,755
At 1 July 2015 and 30 June 2016		
Net book amount	6,599,755	6,599,755

7 Trade and other payables

	Consolidated entity	
	30 June 2016	30 June 2015
	\$	\$
Current liabilities		
Trade payables	265,430	97,650
Other payables	391,891	219,806
	657,321	317,456

8 Provisions

	Consolidated entity	
	30 June 2016	30 June 2015
	\$	\$
Employee benefits - annual leave	36,491	13,159

9 Other financial liabilities

	Consolidated entity	
	30 June 2016	30 June 2015
	\$	\$
Current		
Amount owing – HER-Vaxx	-	66,650
	-	66,650
Non-current		
Expected future royalties payable – HER-Vaxx	985,450	985,450
	985,450	1,052,100

Imugene Limited
Notes to the consolidated financial statements
(continued)

9 Other financial liabilities (continued)

Represents fair value estimate of royalties payable to BSFE on commercial income arising from HER-Vaxx. There has been no change in the future royalties as the carrying value is based on the initial consideration, and no reliable information has come to light that would change the valuation assumptions.

10 Issued capital

	Notes	30 June 2016 No.	30 June 2016 \$	30 June 2015 No.	30 June 2015 \$
Ordinary shares - fully paid	10(a)	1,732,134,740	30,407,225	1,329,912,516	27,651,859
Options		371,177,356	-	57,000,000	30,365
Total		2,103,312,096	30,407,225	1,386,912,516	27,682,224

(a) Ordinary shares

Details	Notes	Number of shares (thousands)	\$
Opening balance 1 July 2015		1,329,912,516	27,651,859
Shares issued during the period	10(a)(i)	402,222,224	2,755,366
Balance 30 June 2016		1,732,134,740	30,407,225

Details	Notes	Number of shares (thousands)	\$
Opening balance 1 July 2014		946,562,516	24,236,812
Shares issued during the period	10(a)(ii)	383,350,000	3,415,047
Balance 30 June 2015		1,329,912,516	27,651,859

Rights of each type of share

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

(i) Details of shares issued during the current year

FY2016	Details	Numbers	Issue price \$	AUD \$
26/10/2015	Private placement to sophisticated investors	400,000,000	0.008	3,000,000
26/10/2015	Shares issued to COO (1)	2,222,223	0.009	20,000
	<i>Less capital raising costs</i>			<i>(264,634)</i>
		402,222,223		2,755,366

Imugene Limited
Notes to the consolidated financial statements
(continued)

10 Issued capital (continued)

(a) Ordinary shares (continued)

(ii) Details of shares issued during the prior year

FY2015	Details	Numbers	Issue price	AUD
			\$	\$
05/11/2014	Private placement to sophisticated investors	210,000,000	0.010	2,100,000
15/12/2014	Private placement to sophisticated investors	15,000,000	0.010	150,000
15/12/2014	Share purchase plan	83,350,000	0.010	833,500
15/12/2014	Private placement to sophisticated investors	50,000,000	0.010	500,000
15/12/2014	Shares issued to CEO (2)	12,500,000	0.007	86,875
15/12/2014	Shares issued to CEO (2)	12,500,000	0.007	86,875
	<i>Less capital raising costs</i>			<i>(342,203)</i>
		383,350,000		3,415,047

(1) Fee payable to COO Leslie Chong as approved by shareholders on 15 October 2015

(2) Shares, financed by an interest free loan, were issued at \$0.012 to the CEO as part of an employment service agreement. The share issue was approved by shareholders at 2014 AGM. Given the structure of the incentive, the shares were valued under an option pricing model and the value at grant date was \$0.007 per share.

11 Share-based payments

		Consolidated entity	
		30 June 2016	30 June 2015
		\$	\$
	Notes		
Share-based payment reserve			
Opening balance		966,141	966,003
Share-based payment expense	11(a)	99,814	199,253
Share issued		-	(199,115)
Reclassification of share based payment option from contributed equity		30,365	-
Expiration of options	11(b)	-	-
		1,096,320	966,141

	30 June 2016
Note	No. of options

Movement in share options:

Opening balance	-
Reclassification of share based options from contributed equity	57,000,000
Additions	11(a) 52,000,000
Expired	11(b) (50,000,000)
Total	59,000,000

Imugene Limited
Notes to the consolidated financial statements
(continued)

11 Share-based payments (continued)

(a) Options granted during the period

Date granted	Number	Details	Vesting
26 October 2015	9,000,000	Issued to key management personnel	Options exercisable at \$0.0125 on or before 14 September 2020 vesting on 30 June 2016
26 October 2015	9,000,000	Issued to key management personnel	Options exercisable at \$0.015 on or before 14 September 2020 vesting on 14 September 2017
26 October 2015	9,000,000	Issued to key management personnel	Options exercisable at \$0.015 on or before 14 September 2020 vesting on 14 September 2018
26 October 2015	10,000,000	Issued to directors	Options exercisable at \$0.015 on or before 26 October 2020 with a share price hurdle of \$0.015
26 October 2015	10,000,000	Issued to directors	Options exercisable at \$0.015 on or before 26 October 2020 with a transaction hurdle
26 October 2015	2,500,000	Issued to directors	Options exercisable at \$0.0125 on or before 31 March 2017 with a patient recruitment hurdle
26 October 2015	2,500,000	Issued to directors	Options exercisable at \$0.0175 on or before 31 March 2017 with a patient recruitment hurdle
Total	52,000,000		

(b) Expiration of options

On 31 December 2015, 50,000,000 options exercisable at \$0.02 expired.

12 Financial risk management

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.

(a) Market risk

(i) Foreign exchange risk

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

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

The following financial assets and liabilities are subject to foreign currency risk, the currency of the original amounts are displayed in brackets, all the amounts in the table below are displayed in \$ AUD at year-end spot rates.

Imugene Limited
Notes to the consolidated financial statements
(continued)

12 Financial risk management (continued)

(a) Market risk (continued)

	Consolidated entity	
	30 June 2016	30 June 2015
	\$	\$
Cash and cash equivalents (\$ USD)	6,256	509,999
Trade and other payables (\$ USD)	35,711	-
Trade and other payables (€ EUR)	63,544	74,736
	105,511	584,735

The group has conducted a sensitivity analysis of the group's exposure to foreign currency risk. The group is currently exposed to the US Dollar (USD) and Euro (EUR). The sensitivity analysis is conducted on a currency by currency basis using the sensitivity analysis variable, which has been based on the average annual movement in AUD/USD and AUD/EUR exchange rates over the past 5 years based on the year-end spot rates. The variables for USD and EUR being 3% and 0.5% respectively.

(ii) 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 and the effective weighted average interest rates on classes of financial assets and financial liabilities.

30 June 2016	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Non Interest Bearing \$	Fixed Interest Bearing \$	Total \$
Financial assets					
Cash and cash equivalents	1.40	1,582,583	-	-	1,582,583
Trade and other receivables		-	1,312,631	-	1,312,631
Other financial assets		-	-	20,000	20,000
Total	1.40	1,582,583	1,312,631	20,000	2,915,214
Financial liabilities					
Trade and other payables		-	657,321	-	657,321
Other financial liabilities		-	985,450	-	985,450
Total	-	-	1,642,771	-	1,642,771
Net financial assets/ (liabilities)		1,582,583	(330,140)	20,000	1,272,443

Imugene Limited
Notes to the consolidated financial statements
(continued)

12 Financial risk management (continued)

(a) Market risk (continued)

30 June 2015	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Non Interest Bearing \$	Fixed Interest Bearing \$	Total \$
Financial assets					
Cash and cash equivalents	1.45	1,956,992	-	-	1,956,992
Trade and other receivables	-	-	541,387	-	541,387
Other financial assets	-	-	-	20,000	20,000
Total	1.45	1,956,992	541,387	20,000	2,518,379
Financial liabilities					
Trade and other payables	-	-	317,456	-	317,456
Other financial liabilities	-	-	1,052,100	-	1,052,100
Total	-	-	1,369,556	-	1,369,556

Net financial assets/ (liabilities)	1,956,992	(828,169)	20,000	1,148,823
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There has been no change in the group's exposure to interest rate risk or the manner in which it manages and measures its risk in the current year.

An increase or decrease of 1% in interest rates at the reporting date would have the following increase/ (decrease) effect on after tax loss and equity. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015. The percentage change is based on the expected volatility or interest rates using market data and analysts forecasts.

		-1% Net result \$	-1% Equity \$	1% Net result \$	1% Equity \$
Consolidated entity	\$				
30 June 2016					
Cash and cash equivalents	1,582,583	(15,826)	(15,826)	15,826	15,826
Total increase/ (decrease)		(15,826)	(15,826)	15,826	15,826

Interest rate risk

		-1% Net result \$	-1% Equity \$	1% Net result \$	1% Equity \$
Consolidated entity	\$				
30 June 2015					
Cash and cash equivalents	1,956,992	(19,570)	(19,570)	19,570	19,570
Total increase/ (decrease)		(19,570)	(19,570)	19,570	19,570

Imugene Limited
Notes to the consolidated financial statements
(continued)

12 Financial risk management (continued)

(b) Credit risk

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

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

(c) Liquidity risk

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

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

Imugene Limited
Notes to the consolidated financial statements
(continued)

12 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturity profile:

	Carrying amount		Contractual cash flow		Within 1 year		1-5 years		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets										
Cash & cash equivalents	1,582,583	1,956,992	1,582,583	1,956,992	1,582,583	1,956,992	-	-	1,582,583	1,956,992
Trade & other receivables	1,312,631	541,387	1,312,631	541,387	1,312,631	541,387	-	-	1,312,631	541,387
Total	2,895,214	2,498,379	2,895,214	2,498,379	2,895,214	2,498,379	-	-	2,895,214	2,498,379
Financial liabilities										
Trade & other payables	(657,321)	(317,456)	(657,321)	(317,456)	446,322	(317,456)	-	-	(657,321)	(317,456)
Other financial liabilities	(985,450)	1,052,100	(985,450)	1,052,100	-	66,650	(985,450)	985,450	(985,450)	1,052,100
Total	(1,642,771)	734,644	(1,642,771)	734,644	446,322	(250,806)	(985,450)	985,450	(1,642,771)	734,644

Imugene Limited
Notes to the consolidated financial statements
(continued)

12 Financial risk management (continued)

(d) Capital risk management

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

(e) Fair value estimation

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

(f) 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).

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 assets	Level 1		Level 2		Level 3	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Bank deposit	20,000	-	-	-	-	-

13 Key management personnel disclosures

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

	Consolidated entity	
	30 June 2016 \$	30 June 2015 \$
Short-term employee benefits	1,028,526	689,602
Post-employment benefits	50,414	34,119
Share-based payments	119,814	184,798
	<u>1,198,754</u>	<u>908,519</u>

Related party transactions are set out in note 16.

Imugene Limited
Notes to the consolidated financial statements
(continued)

14 Remuneration of auditors

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

	Consolidated entity	
	2016	2015
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	50,000	48,000
Total remuneration for audit and other assurance services	50,000	48,000

15 Commitments

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

16 Related party transactions

(a) Parent entity

Imugene Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 18.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 13 and the Remuneration report (audited) in the Directors' report.

(d) Receivable from and payable to related parties

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

(e) Loans to/ from related parties

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

Imugene Limited
Notes to the consolidated financial statements
(continued)

17 Parent entity financial information

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

(a) Summary financial information

	30 June 2016 \$	30 June 2015 \$
Profit or loss for the period	(1,351,812)	(2,092,171)
Total comprehensive income	(1,351,812)	(2,092,171)
	30 June 2016 \$	30 June 2015 \$
Current assets	2,875,141	2,494,916
Non-current assets	4,629,070	4,606,114
Total assets	7,504,211	7,101,030
Current liabilities	(634,440)	(207,180)
Non-current liabilities	4,371,348	2,843,901
Total liabilities	3,736,908	2,636,721
Net assets	11,241,119	9,737,751
Issued capital	30,407,225	27,682,224
Share-based payments reserve	1,096,320	966,141
Accumulated losses	(20,262,426)	(18,910,614)
Total equity	11,241,119	9,737,751

(b) Guarantees entered into by the parent entity

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

(c) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the group as disclosed in note Summary of significant accounting policies.

18 Subsidiaries

Name of entity	Principal Activities	Country of incorporation	FY 2016 %
Lingual Consegna Pty Ltd	Biopharmaceutical development	Australia	100
Biolife Science QLD Pty Ltd	Biopharmaceutical development	Australia	100

Imugene Limited
Notes to the consolidated financial statements
(continued)

19 Events occurring after the reporting period

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

20 Cash flow information

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

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Profit for the period	(2,730,642)	(2,440,789)
Adjustment for		
Depreciation and amortisation	1,156	-
Impairment expense	-	274,093
Share based payments	119,814	199,253
Foreign exchange adjustments relating to IP payments	(30,530)	5,422
Fair value adjustment on financial liability	-	(141,754)
<i>Change in operating assets and liabilities:</i>		
Movement in accounts receivable	(773,164)	(21,203)
Movement in other current assets	(21,294)	(5,906)
Movement in accounts payable	361,785	92,107
Movement in provisions	23,332	(4,807)
Net cash inflow (outflow) from operating activities	(3,049,543)	(2,043,584)

(b) Non-cash investing and financing activities

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

21 Earnings per share

(a) Basic earnings per share

	Consolidated entity	
	30 June	30 June
	2016	2015
	Cents	Cents
Basic loss per share (cents per share)	(0.19)	(0.21)

(b) Diluted earnings per share

	Consolidated entity	
	30 June	30 June
	2016	2015
	Cents	Cents
Diluted loss per share (cents per share)	(0.19)	(0.21)

Imugene Limited
Notes to the consolidated financial statements
(continued)

21 Earnings per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated entity	
	30 June	30 June
	2016	2015
	\$	\$
Loss attributable to the ordinary equity holders of the company (cents per share)	2,730,642	2,440,789

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

	Consolidated entity	
	2016	2015
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	1,320,755,550	1,176,480,137

Imugene Limited

Directors' declaration


In the directors' opinion:

- (a) the financial statements and notes set out on pages 34 to 65 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of directors, made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Paul Hopper
Executive Chairman

Melbourne
28 September 2016

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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 2016, 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 2016 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 Company incurred a net loss of \$2,730,642 during the year ended 30 June 2016 and, cash outflows from operating and investing activities equates to \$3,140,305. 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 Company's ability to continue as a going concern and therefore, the Company 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 10 to 21 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner – Audit & Assurance

Melbourne, 28 September 2016

Imugene Limited

Shareholder information

The shareholder information set out below was applicable as at **9 September 2016**

A. Distribution of equity securities

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

Holding	Ordinary shares	
	No. of holders	Total units
1 - 1000	546	168,047
1,001 - 5,000	234	769,123
5,001 - 10,000	221	1,691,332
10,001 - 100,000	758	37,039,961
100,001 and over	1,000	1,682,466,277
	2,759	1,722,134,740

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
WebInvest Pty Ltd <OLSB Unit A/C>	86,800,000	5.01
Tisia Nominees Pty Ltd - Grouped Holder	62,691,666	3.62
Cabletime Pty Ltd <Henderson Family A/C>	57,863,071	3.34
Mrs Sarah Cameron	42,483,073	2.45
Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	36,000,000	2.08
Pershing Australia Nominees Pty Ltd <RM Capital A/C>	30,000,000	1.73
Moreglade Pty Ltd	28,062,500	1.62
Mr Roger Aston	27,562,500	1.59
Kilinwata Investments Pty Ltd	27,453,125	1.58
Kensington Capital Management Pty Ltd	27,000,000	1.56
Dr Russell Kay Hancock	25,000,000	1.44
Mr Charles Edwyn Walker	25,000,000	1.44
Mr Jason Dennis Roberts <JD Roberts Family A/C>	24,282,724	1.40
Celtic Capital Pty Ltd <Investment 1 A/C>	21,200,000	1.22
Bannaby Investments Pty Ltd <Super Fund A/C>	20,000,000	1.15
Mr Peter Barrett Capp <Capp Family A/C>	18,000,000	1.04
Pershing Australia Nominees Pty Ltd <Phillip Capital A/C>	16,000,000	0.92
Denlin Nominees Pty Ltd	15,000,000	0.87
Tets Pty Ltd	15,000,000	0.87
Mr Peter James Nixon	15,000,000	0.87
Ms Deborah Anne Coleman	14,281,250	0.82
Brown Bricks Pty Ltd <HM A/C>	12,995,000	0.75
	647,674,909	37.37

Imugene Limited
Shareholder information
(continued)

C. Substantial holders

Substantial holders in the company are set out below:

	Number held
WebInvest Pty Ltd <OLSB Unit Trust>	86,800,000

Imugene Limited

Corporate directory

Directors

Mr Paul Hopper
Executive Chairman

Mr Charles Walker
Non-Executive Director

Dr Axel Hoos
Non-Executive Director

Dr Anton Uvarov
Non-Executive Director

Secretary

Mr Phillip Hains

Mr Justyn Stedwell

Principal registered office in Australia

Suite 1, 1233 High Street
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(61 03) 9824 5254

Share and debenture register

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(61 08) 9324 2099

Auditor

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525 Collins Street
Melbourne Victoria 3000

Solicitors

McCullough Robertson
Level 11, Central Plaza Two
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Bankers

National Australia Bank
level 2, 330 Collins Street
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