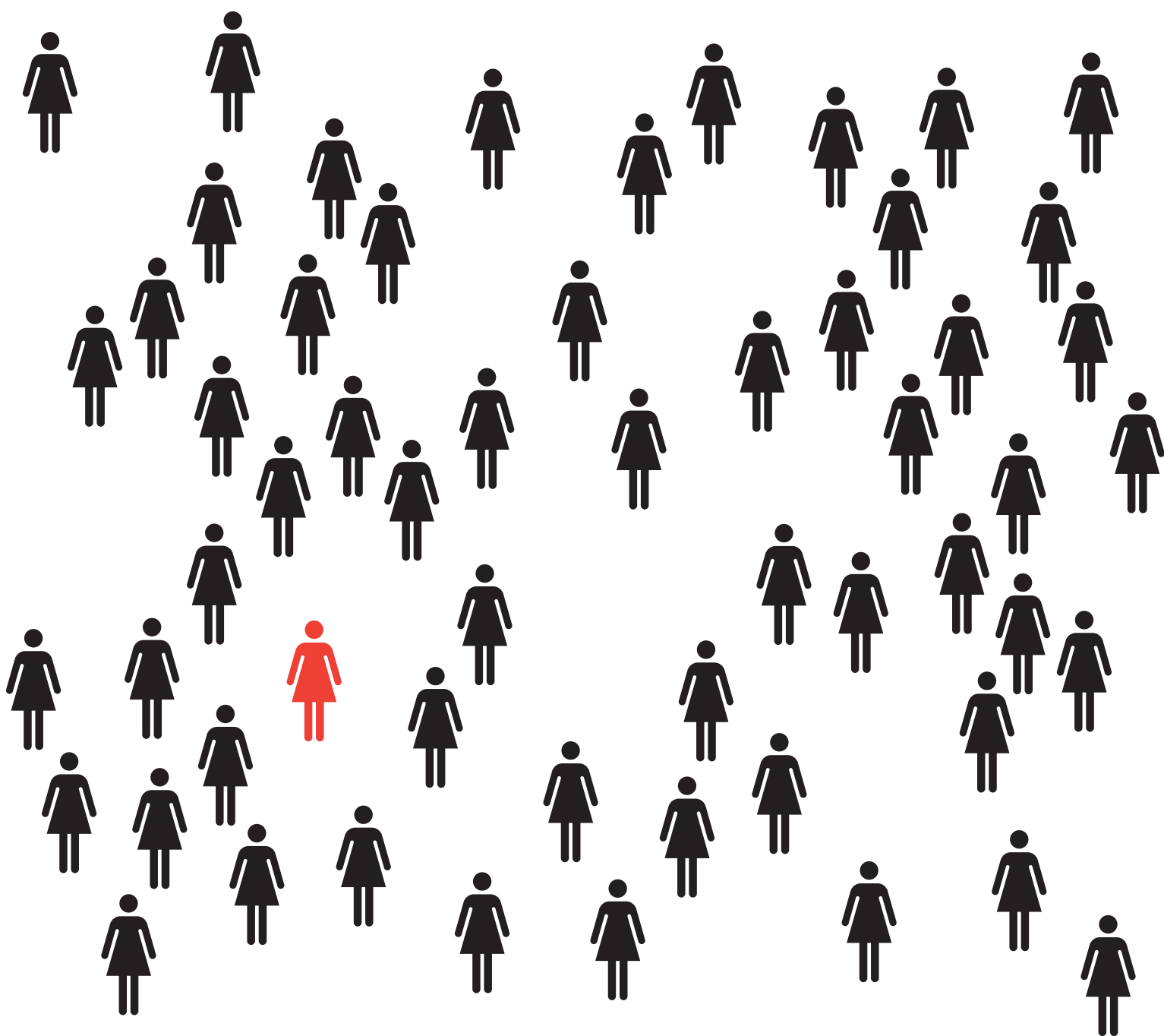


# Our contribution: new therapies for cancer

We're one  
step closer





**Ovarian cancer occurs in 1 out of 57 women**

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# CVac™ – one of the most advanced cell therapies in clinical trial for ovarian cancer

Twenty-eight ovarian cancer patients with no available curative therapies have been recruited to Prima's Phase IIa clinical trial of CVac™ at Austin Health. The trial is expected to be completed by the end of 2006 with the final report expected in the first quarter of 2007.

# Our contribution to finding a new treatment for cancer

## CVac™ – positive results to date

A second analysis of results from the Phase IIa trial for women with ovarian cancer showed 21% of the women (compared to a benchmark of 15%) had a clinical response or stabilisation of their disease.

“To appreciate the significance of these results, it is important to realise that the population of patients enrolled in the trial of CVac™ is made up of women with advanced ovarian cancer and many of the patients had received multiple regimens of chemotherapy” (Principal Investigator of the trial, Dr Paul Mitchell).



# Our contribution to shareholder value:

**Dear Shareholders,**

Prima has completed a year of continued operational and commercial progress.

Prima's Board and the management team believe that the company's programs will deliver significant shareholder value over time, despite the disappointing performance of small cap biotech stocks and Prima's share price in particular.

I would like to re-emphasise to you the importance we place on value creation and shareholder returns. There is no doubt that the highlight of the financial year came in the late stages, with the publicly announced significant second analysis of our phase IIa trial of CVac™ in ovarian cancer.

Confirmation of the interim results will reaffirm our re-positioning of Prima as an oncology company with a focus in cell therapies. Completion of the trial is expected by the end of calendar 2006, with the final report due out in the March quarter of 2007.

Our lead product, CVac™, is one of the most advanced cell therapies in clinical trial for ovarian cancer. As reported in June, we are now actively pursuing the Scientific Advisory Board's recommendation to plan for a pivotal clinical trial in

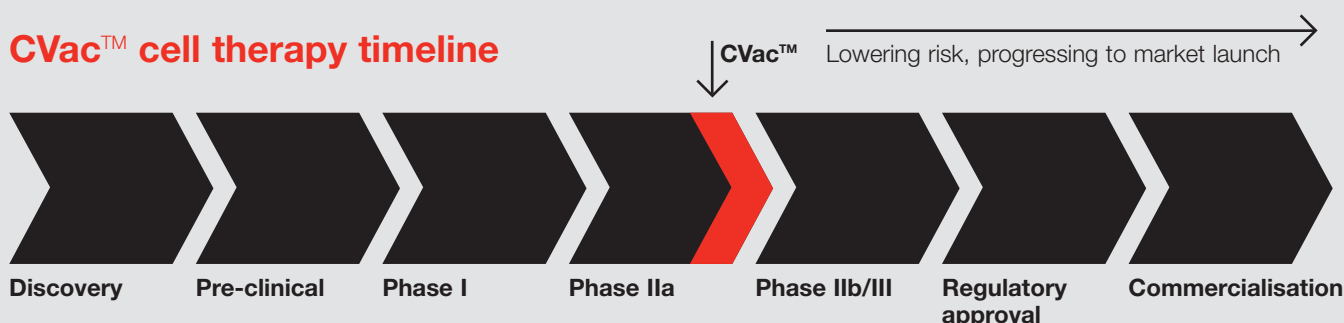
Australia. Pending success of the pivotal trial, the regulatory guidelines remaining as is, and response from physicians positive, the next stage of Prima's development, will centre on pursuing the steps required for a market launch of CVac™.

In addition to the Australian commercialisation path, our Canadian partner, Biomira Inc., has an option to acquire a licence to develop and launch CVac™ in North America and Europe. This option can be triggered at any time and expires 120 days post receipt by Biomira of the final phase IIa trial report. Such election would potentially result in pursuit of clinical trials of the CVac™ vaccine in the USA, under an Investigational New Drug Application (IND) to be approved by the USA Food and Drug Administration (FDA). If Biomira Inc. does not elect to commercialise CVac™, then Prima retains worldwide commercialisation rights.

In the event of commercial success, CVac™ would generate royalty revenue far in excess of its present capitalisation.

As I write about aspects of Prima's year in review, it seems timely to re-state the Board's reasons for taking Prima in the direction of cell therapy for the treatment of cancer. Essentially, we believed at the time the decision was taken last year, and

## CVac™ cell therapy timeline



continue to believe, that clinical development of CVac™ toward commercialisation would yield the best outcomes for the company and shareholders over the next few years.

The use of cell therapy, a new class of cancer treatment, is gaining momentum. The investment community and the bio-pharmaceutical sector are keeping this space firmly in their sights for good reason. The potential of the technology to treat cancers effectively appears high and there is the added benefit that cell therapy is associated with few side effects and thus may have a better safety profile than alternatives.

Over the next two years, we expect several cancer cell therapy vaccines to be registered by the US FDA, including Provenge®, a dendritic cell therapy treatment for late stage prostate cancer, developed by Dendreon Inc.

We believe that CVac™ cell therapy has considerable scope to improve outcomes for cancer patients when used as a supplement to the more traditional therapeutic modes of surgery, chemotherapy, and radiotherapy.

Phase IIb/III clinical trials are costly. We have initiated a program to draw on several sources of capital. Clearly, the Shareholder Placement Plan (SPP) announced in September allows current shareholders to participate in Prima's future progress and provides an important initial injection of funds.

Other sources of funds that we are evaluating are:

- Federal Government grant funding under AusIndustry's "Commercial Ready" program
- Out-licensing and divestment of non-core assets
- Sale of Trillium Therapeutics Inc. equity holding
- Accessing the capital markets

Ultimately, whether a pivotal trial is commenced next year or later will depend on obtaining the appropriate funding and management of costs in the interim.

Our decision to concentrate our efforts on CVac™ and engineer the metamorphosis of Prima into a cancer cell therapy company created the parallel need to divest or out-license our other assets, namely Arthron and Panvax, to allow implementation of Prima's strategic plan.

As announced in December, Prima divested the assets of Arthron in a highly favourable deal with Canadian-based Trillium Therapeutics Inc. The deal involved the transfer to Prima of cash payments of A\$769,113 and receipt of 7% of the Trillium shares on issue, which we valued at the time at A\$3.2m. Further cash and shares, up to a total equity holding of 13% over four years are payable as Trillium achieves milestones.

Trillium, a private company backed by the three top Canadian venture capital companies, has several lucrative commercial agreements with major pharmaceutical and biotechnology companies, notably a reported US\$150 million licensing and commercial development program with global biotechnology leader Genentech Inc, and several other North American academic institutions. We are confident that our equity stake in Trillium will translate to good shareholder value over the next 2-3 years, considerably earlier than would have been expected with the option/licensing deals previously negotiated for Arthron. Discussions are under way to achieve a similar outcome for Panvax.

Our widely respected Scientific Advisory Panel has confidence, which I share, that we are on the right track. I would particularly like to thank Marcus Clark and the management team in progressing the development of CVac™ cell therapy and maintaining the momentum of strategic re-positioning of Prima as a highly promising oncology company with a focus in cell-based therapies. The Board and I look forward to your continued support as we strive to achieve the best commercial outcomes for you, our shareholders.



**Eugene Kopp**  
Executive Chairman

Dated this 28th Day  
of September 2006



# Progress reduces risk

# Cell therapy: the facts

Cell therapy involves a treatment in which cells are administered to patients to repair damaged, diseased or depleted tissues. Cell therapy now encompasses areas such as stem cell therapy, cancer vaccines, immunotherapy, tissue engineering and regenerative medicine.

The earliest cell therapy on record was human-to-human blood transfusion in 1818. The first bone marrow transplant for the treatment of blood disorders took place in 1968. Bone marrow is the source of stem cells that can develop into all of the different types of cells in the blood. Bone marrow transplantation, involving the transfer of healthy bone marrow from a donor to a recipient, has been used widely for the treatment of blood cancers such as leukaemia, and to restore cells of the blood and immune systems damaged by chemotherapy and radiation therapy.

Today, research in both basic and clinical areas is discovering new and different ways in which a variety of cells may be used therapeutically.

## Why is cell therapy needed?

In the process of normal development and ageing, most cell types of the body lose the ability to divide and replace themselves. This can also occur due to certain diseases.

However, in cancer, the reverse occurs. A tumour consists of damaged cells with abnormal growth characteristics. The chemotherapy used to treat tumours, often after surgery,

leads to the death of all growing cells in the body, causing damage to healthy tissue as well as the cancerous cells.

Degenerative diseases that cause the loss of healthy tissue include Alzheimer's and Parkinson's (damage to cells of the brain), and diabetes (the failure of insulin-producing cells of the pancreas). Cell damage can also occur due to acute events, such as a stroke or heart attack.

For many degenerative or acute diseases, there is neither a cure nor an effective treatment to alleviate the symptoms.

## Types of cell therapy

Cell therapy can be divided into three broad categories:

- Autologous, in which a patient's own cells are used. This has the advantage of minimising the risk of rejection of the introduced cells by the patient's immune system. The patient's cells may be from healthy tissue, blood, or from a tumour;
- Allogeneic, in which the donor is not the patient. Allogeneic transplantation may involve cells from a member of the patient's family or an unrelated individual; and
- Stem cell, in which cells from an early stage of development are used as a source of replacement cells and tissues.

## Autologous cell therapy

A number of cancer vaccines in development use either cells from the patient's tumour to stimulate an immune

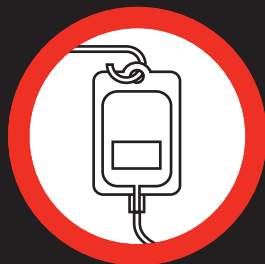
## CVac™ cell therapy product

**Day 1:** Patient gives blood, precursor dendritic cells (DCs) extracted.

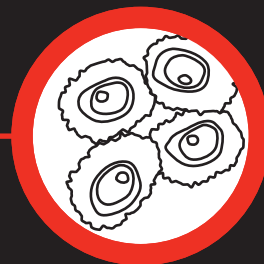
**Days 2-5:** CVac™ is prepared by developing the precursor cells into DCs and treating them with a tumour antigen (mucin-1) in the laboratory.

**Day 6:** CVac™ is ready to be delivered to the patient via injection into skin.

CVac™ injections are repeated monthly x3 then at 10-weekly intervals. CVac™ can be stored frozen for later injections.



1. Blood taken from patient.



2. Extract DC precursors. Prepare cells to generate anti-tumour response.

response against the tumour or cells from the patient's immune system to improve immune responses.

Autologous cell therapies are also under study in many other areas, for example in chronic heart failure, when the heart is unable to pump blood efficiently due to the loss of muscle function, and the replacement of cartilage damaged as a result of sporting injury.

### Allogeneic cell therapy

The best known example of allogeneic cell therapy is bone marrow transplantation. Another is the use of tumour cells by researchers attempting to develop anti-cancer vaccines. These approaches may necessitate immune suppression of the patient if the unrelated cells are a poor immune match.

### Stem cell therapy

Stem cell therapy may be autologous or allogeneic. It involves the use of 'pluripotent' cells that can become any cell in the body to restore function to damaged tissue.

Different types of stem cells include those derived from embryos (thought to be truly pluripotent) and later stages, such as cord blood and bone marrow (that are limited in their ability to differentiate). They are under investigation to increase current knowledge of stem cell biology and how it may be exploited in human therapies.

### Potential benefits of cell therapy over other approaches

- Increased activity through the use of personalised medicine;
- Lower toxicity;
- Less invasiveness, with injections often replacing surgery;
- Lack of need for immuno-suppression for autologous cell therapy, reducing the potential for secondary infections; and
- Reduced requirement for organ/tissue donors.

### Role of cell therapy in cancer

Attempts to develop an anti-cancer vaccine have led researchers to couple the traditional approach to vaccines – i.e. introducing a foreign cancer antigen into the body with an immune stimulant (adjuvant) to promote an immune response to the antigen – with cell therapy using specialised cells of the immune system called dendritic cells (DCs). DCs isolated from a cancer patient are treated with either:

- a sample of the patient's tumour containing several tumour antigens; or
- a single synthetic tumour antigen.

In both cases, the strategy is designed to assist the patient's immune system in recognising and eradicating the tumour cells that carry the antigen.

### Manufacturing processes required for the delivery of cell therapy

Dedicated facilities and procedures are needed to cover the crucial steps involved in cell therapy, which include collection of cells from the patient, processes to isolate the cell population of interest, growth of the cells and modification of their properties in the laboratory, storage and return of the cells to the patient.

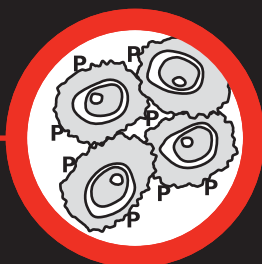
The processes must be done under strict conditions according to the code of Good Manufacturing Practise (cGMP) and under license from the appropriate regulatory body (the Food and Drug Administration in the US and the Therapeutics Goods Administration in Australia).

### How is cell therapy administered?

The means of administration varies greatly, depending upon the product and the patient. Cell therapy may involve rapid injection or slow infusion into blood, or injection under the skin or directly into the target tissue. It may involve a matrix or scaffold, or encapsulation of material for transplantation of contained (rather than free) cells. For skin grafts, cells may be sprayed onto the site.



3. Tumour antigen mucin-1.



4. DCs are activated by the tumour antigen mucin-1 leading to cancer protein display on their surface – CVac™



5. CVac™ is injected into the patient. Patient's immune system produces mucin-1 specific killer T cells to attack tumours.

## Review of Operations

### The company set the following key objectives for the 2005/06 financial year:

- Completion of the phase IIa clinical trial in ovarian cancer with its product CVac™
  - Announce Interim Results for CVac™
- Divestment of its IP portfolio in Arthron to create leverage on the valuation and cash for the company
- Secure a development partner for DCtag™
- Identify a therapeutic antibody candidate against cripto-1
- Maintain tight rein on spending on non-core assets

The management team achieved major success with the divestment of the assets in Arthron to Trillium Therapeutics Inc., announced in December 2005. The deal provided cash to the company's group entity, Arthron Pty Ltd, of A\$769,113 and a strategic equity stake of 7% that has the potential to grow to 13% based on the progression of the technology through achievement of pre-set milestones. The deal crystallised value earlier than our previous licensing strategy and allowed management to focus on the priority program of CVac™.

The phase IIa clinical trial with CVac™ was on track for completion when we decided to implement our SAP's recommendation to extend patient recruitment to obtain more potentially useful information by which we could make subsequent decisions on the development of the technology. Whilst this resulted in an extension of the trial completion timetable, it allowed us to gather stronger and more significant data from the trial.

As the accounts will show, we have been able to contain our expenditure by reducing spending on R&D in non-core assets. This has come about by the sale of Arthron assets, a wind-up of significant R&D in Panvax (DCtag) and prudent use of funds for Oncomab (cripto-1 antibody).

DCtag™ and the anti cancer antibody programs provided significant challenges that prevented us achieving the objectives identified at the commencement of the financial year. Substantial progress has nonetheless been achieved and we are anticipating results on both fronts before the end of the calendar year.

Evidence of our progress was contained in several reports and the following announcements:

- **July 2005:** Canadian-based cancer vaccine company Biomira Inc. exercises Put Option to take 1.62% equity in Prima
- **September 2005:** Execution of a Licence and Option Agreement with US biotechnology company Xencor, Inc., for Prima's anti-inflammatory technology (Arthron)
- **December 2005:** Successful sale of anti-inflammatory technology (Arthron) to Canadian company Trillium Therapeutics
- **February 2006:** Close of recruitment for CVac™ Phase IIa clinical trial
- **February 2006:** Phase I trial of CVac™ technology published in Clinical Cancer Research Journal
- **May 2006:** Compelling results from second analysis of CVac™ Phase IIa clinical trial shows better than expected clinical response or stabilisation of disease

Left to right: Marcus Clark – CEO; Dr Emma Ball – Project Manager; Vanessa Waddell – Business Development & Intellectual Property Manager and Larisa Chisholm – Business Development and Intellectual Property Assistant



# About ovarian cancer

Ovarian cancer is the sixth most common cause of cancer death in women. Ovarian cancer is now more common than cervical cancer and it kills many more women. Every year in Australia, around 1,200 women will be diagnosed with ovarian cancer and nearly 800 women will die of the disease. The prevalence of the disease is estimated at 4,000 in Australia and 200,000 in the USA, EU & Japan.

The disease is insidious because it is asymptomatic for much of its early progression and many women present at advanced stages of disease which leads to the very poor survival rates. Approximately 70-80% of women diagnosed will be at an advanced stage, where the cancer has spread beyond their ovaries and is very difficult to treat successfully. Three-quarters of these women will die within 5 years of diagnosis.

During the year, Prima acquired the minority interests in our technology companies, giving us the ability to direct their programs and future direction. At the same time, we renegotiated to improve the commercialisation provisions of our technology licences from the Austin Research Institute (ARI), now merged with the Burnet Institute. The revised licences ensure the company's ongoing access to improvements in the licensed patents/applications and also allows the company to commercialise the technology without prior permission from the licensor. In exchange for the revised licences and the acquisition of the ARI's equity interests in each subsidiary, Prima will pay the ARI's successor, the Burnet Institute, a royalty from any commercial income received by the subsidiary.

Results announced for DCTag™ indicated the nature of the immune response in large animals was similar to that seen in mice. This was important for our programs with the Centre for Animal Biotechnology, University of Melbourne, where DCTag™ is being investigated for development of veterinary vaccines. Our overall business development program is enhanced by the inclusion of this proof of concept data in our technical package available for licensing or collaboration.

The following reports give more specific details of progress made during the year:

### **CVac™**

Prima's most advanced product is CVac™, a cell therapy for the treatment of ovarian cancer. Cell therapy involves a treatment in which cells are administered to patients to elicit an immune response to attack the tumour. CVac™ is currently in Phase IIa clinical trial.

#### **Phase IIa clinical trial for ovarian cancer**

Twenty-eight ovarian cancer patients with no available curative therapies have been recruited to the Phase IIa trial. Previous treatments for all had previously failed. The women are being treated at Austin Health, Heidelberg, Victoria under the care of Principal Investigator Dr Paul Mitchell, Director of Cancer Services and an oncologist with extensive experience in early stage clinical trials (Phase I/II).

The trial is expected to be completed by the end of 2006 with the results available in the March quarter of 2007. The trial is designed to look for changes in the level of the blood marker, CA125, a well recognised tumour marker of disease activity. Other indicators of CVac™ activity will also

be investigated, such as duration of progression-free survival, immune responses to the vaccine, changes in size of tumours and any side effects of the treatment. Earlier this year, Prima announced the close of recruitment and then, significantly, a second analysis of results received from 19 patients who had completed a minimum of three of the total of seven rounds of treatment.

#### **Second analysis of results**

The second analysis looked specifically for changes in the level of the blood marker, CA125, the primary test of CVac™ activity in the trial. Analysis of the response rate from 19 patients has indicated a response rate of 21%. The response rate obtained from CVac™ exceeded the 15% benchmark of the protocol and was considered sufficiently significant by the SAP and the investigator to warrant progressing the technology to a comparative clinical trial.

#### **Product and cell processing development**

In addition to the clinical programs, Prima has been progressing discussions to scale up the manufacture of the recombinant protein in CVac™ and to develop the quality process systems for the collection, processing, storage and delivery of the patient cells. To ensure this task has been comprehensively addressed and monitored we have initiated discussions with Progen Ltd and Cell Therapies Pty Ltd, both GMP accredited facilities, for the protein manufacture and cell processing facilities, respectively.

#### **Outlook**

Completion of the CVac™ Phase IIa trial is expected by the end of December with the final report expected in the March quarter of 2007.

The NASDAQ-listed Biomira Inc. – a Canadian biotechnology company specialising in the development of innovative therapeutic approaches to cancer management – has an option to acquire a licence to develop and launch CVac™ in North America or North America and Europe. This option can be triggered at any time and expires 120 days post receipt by Biomira of the final phase IIa trial report. If Biomira does not elect to commercialise CVac™, then Prima retains worldwide commercialisation rights.

On the strength of the second analysis of results, Prima has initiated planning of a pivotal Phase IIb/III trial. The management team is aiming to commence the trial in the second half of 2007.

“To appreciate the significance of the results, it is important to realise that the population of patients enrolled in the trial of CVac™ is made up of women with advanced ovarian cancer. For many of the women enrolled in the trial there were no further effective treatment options.”

**Dr Paul Mitchell** – Principal Investigator of the trial and Director of Cancer Services, Austin Health

## Intellectual property

The following describes the status of the Intellectual Property portfolio at 30 June 2006:

Patent Family	Title	Status	Expiry
<b>CANCERVAC</b>			
<b>Family 1</b> Mannan fusion protein (MFP)	Composition of matter patent – Mucin-Mannan conjugates, antigen carbohydrate compounds, or mucin-1 derived antigens and their use in immunotherapy	Granted in Australia, USA (x2), UK, Italy, France, Germany, Ireland; applications pending in Canada and Japan	2014
<b>Family 2</b> Mimics	Mucin-1 mimicking peptides and their use in cancer immunotherapy	Granted in Australia, New Zealand, USA, UK, Italy, France, Germany, Switzerland; applications pending in Canada and Japan	2016
<b>Family 3</b> Ex vivo cell therapy	Method of producing dendritic cells pulsed with MFP (family 1)	Granted in Australia; applications pending in the USA, Europe, Canada and Japan.	2018
<b>Family 4</b> Non-VNTR regions	New immunogenic regions of mucin-1 and their use in cancer immunotherapy.	Granted in Australia and the USA; applications pending in Europe, Canada and Japan	US: 2014 Aus: 2021
Biomira licensed patents	Human mucin core protein, antibodies and probes	Granted in the US (3 patents), Canada, and Europe (11 countries); application pending in Japan	2015
<b>ONCOMAB</b>			
<b>Family 1</b> Cancer antibodies	Therapeutic cancer antibodies targeting cancer antigen, cripto-1	Granted in New Zealand; applications pending in Australia, USA, Canada, Europe, Japan, South Korea and China	2022
<b>PANVAX</b>			
<b>Family 1</b> DCtag™	Novel nanoparticle vaccine adjuvant for use in treatment of cancer and treatment and prevention of infectious diseases	Granted in Australia, New Zealand (x2), South Africa and Singapore; applications pending in Australia, USA, Canada, Europe, Japan, China, India, Israel, South Korea	2021
<b>Family 2</b> Mixed beads	Enhancing the efficacy of large particle vaccines through addition of a nanoparticle vaccine adjuvant	PCT Application filed in Australia. National Phase applications due in February 07	2025

## Other project updates

### Arthron

#### Overview of technology

Arthron's focus was the FcγRIIIa receptor discovered by researchers at the Austin Research Institute (ARI). The FcγRIIIa receptor is central to the activation of the autoimmune cascade which is responsible for the inflammation and joint destruction that causes rheumatoid arthritis (RA). Arthron showed that activation of FcγRIIIa on human macrophages results in a significant increase in the release of tumour necrosis factor alpha (TNFα) and that blockage with a receptor-specific antibody prevents TNFα release. TNFα is the target of new drugs such as Enbrel® and Humira®, thus the FcγRIIIa is an attractive upstream drug target for RA.

#### Sale of Arthron assets to Trillium

As a result of a strategic focus on cancer therapeutics, the Board of Directors decided to divest its assets in Arthron Pty Ltd and thereby the associated intellectual property surrounding the anti-inflammatory target FcγRIIIa. Prima had previously negotiated three option/licence agreements with pharmaceutical companies AstraZeneca and ZymoGenetics and a smaller biotech, Xencor Inc. These agreements together with the ongoing research programs formed a package that was attractive to Trillium Therapeutics Inc. of Toronto, Canada which purchased the assets of Arthron. The structure of the sale provided cash of A\$769,113, 7% equity in Trillium and further potential cash and equity issues dependent on the progress made with the option/licence agreements established by Prima, and a product progressing to its first clinical trial.

#### Consideration and benefits to shareholders

Value for this technology was realised at an earlier stage than was previously expected and we believe the timing and structure of the deal will lead to greater value in the medium term. Prima has transferred the risk of developing the technology whilst retaining the upside benefit of its success and the potential to benefit from the upside of Trillium's other development programs.

#### About Trillium

Trillium is a private Canadian research-driven biopharmaceutical company with a strong immunology focus, specialising in the discovery and development of innovative therapies for the treatment of immune-mediated disorders. Trillium has three scientific programs containing six product opportunities at various stages of preclinical testing. One program focuses on the immunoregulatory protein CD200 and its receptor, a second is based upon the activating Fc receptor FcγRIIIa (CD32a) and the third involves the use of a growth factor in the treatment of gastrointestinal inflammation and damage.

#### Outlook for 2006/07

A decision by ZymoGenetics to exercise its option to a licence agreement in November 2006 would result in a further equity tranche in Trillium being issued to Arthron.

### Oncomab

#### Overview of Technology

This program remains part of our strategic focus on cancer therapeutics as the antibodies are designed to inhibit tumour growth and thus a potential anti cancer agent. We are developing antibodies that target a highly expressed tumour protein, cripto-1. This protein is expressed on a variety of solid tumours and leukaemias.

#### Status

The program has been driven by the company's partner, Medarex Inc (Medarex). In late 2005 Prima reported that 60 human antibodies to cripto-1 had been generated. A decision was subsequently taken to choose a panel of these antibodies to test in animals. The process requires the setting-up of an animal model, which involves growing tumour cells lines expressing cripto-1 in mice and then treating the animals with antibodies to reduce the size of the tumour. Due to confidentiality agreements with Medarex, further details cannot be disclosed. Results will be reported at the completion of such studies.

#### Milestones for the 2005/06 year

- Selection of antibodies to test in the animal efficacy models
- Generation of appropriate animal model to test antibodies

#### Outlook for 2006/07

- Demonstration of in vivo efficacy of the anti-cripto-1 antibodies – December 2006
- Granting of patent in Australia – H1 2007
- Assess M & A to enlarge portfolio

### Panvax

#### Overview of technology

Panvax has been developing a vaccine adjuvant (DCtag™) based on extremely small particles – “nanoparticles” – made of polystyrene or a biodegradable material for use in vaccines. An adjuvant is a substance that can be attached to an antigen (a foreign protein; bacterial, viral, parasitic or from cancer cells) to assist the immune system to make a stronger response. Adjuvants may also act by retaining the antigen at the site where an immune reaction is required. Employing the DCtag™ technology, various cancer or infectious disease antigens can be attached to the nanoparticles before they are injected into a patient. DCtag™ can be used in the development of both preventive and therapeutic vaccines due to the unique effect it has on the immune system, stimulating the actions of both antibodies and killer T cells, which jointly help to eradicate and prevent disease.

### Status

The proof of concept studies were completed and would require significant product development. Nanotechnology remains in its infancy and there are few organisations capable of undertaking the development and manufacturing process required to produce a nanoparticle for administration to humans. However, Prima identified companies to undertake the task with which it is in discussions.

In parallel Prima has pursued development with third parties, that have their own proteins and want to improve the effect of their potential vaccine and immunotherapies, to put in place programs that will enhance the value of DCtag™ while we complete arrangements with an industrial partner to strengthen the divestment package.

### Milestones for the 2005/06 year

- Completion of the Prana program generating antibodies for treatment of Alzheimer's Disease
- Evaluation of a biodegradable particle which was the subject of an AusIndustry Biotechnology Innovation Fund (BIF) Grant awarded in 2004
- Collaboration with Walter Reed Army Institute of Research in the US for a malaria vaccine development program
- Granting of the DCtag™ patent in Australia and Singapore

### Outlook for 2006/07

- Completion of proof of concept studies of veterinary vaccines with the Centre for Animal Biotechnology, University of Melbourne
- Collaboration/licensing objectives
- Possible M & A opportunity

### Financial Summary

Revenues were up significantly over the 2005 financial year at \$3.877m due to the sale of Arthron's IP assets to Trillium. The revenues for this component were \$3.380m. Other revenue was gained through Biotechnology Innovation Fund (BIF) grants from the Commonwealth Government.

Operating costs were down compared to the previous year. The key elements were:

- Decrease in R&D by \$0.895m through reduction in expenses driven by the closure of recruitment to the phase IIa clinical trial and containment of costs in the other R&D programs

- Increase in Corporate and Business Development costs by \$0.614m due mainly to transaction costs with Trillium (\$0.26m) and legal costs associated with acquisition of minority interests (\$0.2m). The remainder was for corporate advisory fees and CPI changes for labour and operating costs
- Reduction in IP costs of \$1.019m mainly due to a write down of Panvax IP of \$0.901m in 2005

However, as a result of Prima adopting international accounting standards, a net cost of \$2.096m was incurred on the company's further acquisition of the subsidiary companies. This cost was related to the impairment of goodwill on the acquisition and the reversal of losses previously borne by the company. The goodwill that had been recorded for Prima's subsidiaries had to be impaired as the value could not be supported by the tests associated with international accounting standards. This was a non-cash transaction.

Overall, the result was a loss of \$4.253m which was a significant improvement over the previous year of \$6.293m.

### Outlook

The company has received positive preliminary results from its phase IIa trial of CVac™ in ovarian cancer (which it hopes will be confirmed from the final report due in the March quarter of 2007). The focus of activities is therefore very much on planning around confirmation of these results from the final report, due in the March quarter for 2007, to avoid delays in the lead up to the commencement of a pivotal clinical trial.

The improvement in financial results was due to licensing revenues and containment of costs. Additional revenues in 2007 may occur if Biomira elects its rights to CVac™ outside Australia and Trillium receives notice of election from ZymoGenetics. Offsetting this, would be an increase in expenditure if a decision were made to run a pivotal clinical trial in ovarian cancer.



**Marcus Clark**  
Chief Executive Officer

Dated this 28th Day of September 2006

# Our future contribution:

To the 1,200  
Australian women  
diagnosed with  
ovarian cancer  
each year

# Report from the Scientific Advisory Panel (SAP)

On behalf of the SAP, it is a pleasure once again to have the opportunity to report to shareholders on the progression of the technology, particularly when significant progress has been made at the clinical level with CVac™.

The activities of the SAP members have been demanding as Prima progressed its phase IIa clinical trial. The SAP has been intimately involved in both the conduct of the trial and directing the other key aspects of product development associated with the project. It was very rewarding to be in a position to recommend that Prima should begin planning a pivotal clinical trial in ovarian cancer.

Dr Michael Green, Deputy Director of Haematology and Oncology at the Royal Melbourne and Professor Joseph Trapani, Deputy Director of Cancer Immunology at the Peter MacCallum Hospital have provided significant input to the scrutiny and assessment of our clinical trial in ovarian cancer. Their vast experience in oncology and tumour immunology and previous involvement in cancer clinical trials have provided the SAP with the skills to analyse the results and provide well-informed recommendations.

## CVac™

The results of the first analysis of results in 2005 led to the recommendation that patient recruitment be extended so that more informative data could be produced. In early 2006 the preliminary results from this extended patient group were analysed and the SAP advised the management that a 21% response rate to CVac™ had been achieved with no significant side effects. This second analysis of results surpassed the benchmark previously set at 15% in the protocol and the SAP recommended that planning for a randomised phase III pivotal trial should commence before completion of the phase IIa study. To date, while management is in discussions with the key clinical group in ovarian cancer clinical research, no decision has been made to commence a phase III pivotal study.

While the results are interim and must be confirmed in the final report, CVac™ appears to be an active biological agent (in a group of patients who have already been pre-treated with chemotherapy) that has none of the significant morbidity associated with 2nd and 3rd line chemotherapies often used at this advanced stage of disease. The SAP, through the management team, is working with Dr Paul Mitchell to ensure that the final report is produced as soon as the last patient completes her therapy and the data are validated and compiled

by Kendle Pty Ltd, the Clinical Research Organisation engaged to oversee the implementation of the study.

## Other R&D Programs

Following a decision by the Board of Directors in early 2005 to divest its IP in Arthron and partner Panvax, the SAP has overseen the outstanding work in Panvax with Professor Joseph Trapani and in Oncomab and Medarex with Associate Professor Bill Boyle.

We have ensured that proof of concept studies were completed with DCTag™ and that the results were compiled so that a technical dossier was in place for management to use in its business development endeavours.

The SAP had significant input in the Oncomab collaboration with Medarex during the year. Confidentiality provisions with Medarex prevent disclosure of details of the status of the program, however, as announced in the end of year advice, the program has moved into testing in animals, a major milestone in the program.

The SAP met six times during the year. My thanks to all members and also to Dr Emma Ball for invaluable contributions and provision of sound advice to the company.

It is with regret that we accepted the resignation of Associate Professor Bill Boyle, who decided to retire. Bill has been a member of the SAP since its inception and assisted us greatly with his vast knowledge in immunology. On behalf of the SAP, I thank him and wish him well in his retirement.

In conclusion, I take a very positive view of the developments in all of the company's programs, particularly CVac™. The SAP is keen to provide Prima with the benefit of its collective expertise as it approaches the critical stage of large clinical trials. We look confidently to 2007.



**George Mihaly**  
Chairman of the SAP

Dated this 28th Day  
of September 2006



# Corporate Governance Statement

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of the changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Best Practice Recommendations. All Charters and Policies are available from the Company.

## Structure and Composition of The Board

The names of the Directors, their independence, qualifications and experience are stated on pages 19 to 21 of the Directors' Report along with the term of office held by each.

The Chief Executive Officer is an Executive Director of the Company and also has a substantial interest. At this stage in the Company's development, the board believes that the most appropriate person for the position of Executive Director is the Chief Executive Officer of the Company. The Chief Executive Officer's overall expertise is crucial to the Company's development and negates any perceived lack of independence.

### Recommendation 2.1: A majority of the board should be independent directors

Currently the Board of the Company does not comply with the ASX Corporate Governance Council's Recommendation 2.1. While the board strongly endorses the position that boards need to exercise independence of judgement, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The board believes that it has recruited members with the skills, experience and character required to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness. Currently 2 board members (or 2/5 of the board) are considered independent within the ASX Corporate Governance Council's guidelines.

### Recommendation 2.2: The Chairperson should be an independent director

While the Board recognises the importance of independence in decision-making, it does not comply with ASX Corporate Governance Council's Recommendation 2.2 as Mr Eugene Kopp, the Current Chairman is not an independent Director. Mr Kopp is an Executive Officer of the Company and also has a substantial interest. At this stage in the Company's

development, the board believes that the most appropriate person for the position of Chairman is an Executive Officer of the Company. The Executive Officer's overall expertise is crucial to the Company's development and negates any perceived lack of independence.

### Recommendation 2.4: The Board should establish a nomination committee

Due to the size of the Company's operations, it does not have a Nominations Committee as it is deemed to be more efficient to have the full board consider membership nominations and configuration.

## Integrity of Financial Reporting

### Recommendation 4.3: Structure the audit committee so that it consists of: only non executive directors, a majority of independent directors, an independent chairperson who is not chairperson of the board, at least three members.

The current members of the Audit, Risk & Compliance Committee are:

- Committee Chairman – Eugene Kopp (Executive Chairman)
- Committee Member – John Sime (Non-executive Independent Director)

Qualifications of the members of the Audit Risk & Compliance Committee are detailed in the Directors Profiles on pages 19 to 21 of the Directors' Report.

Due to the size, composition and technical expertise of the of the board it was not possible to comply with the ASX Corporate Governance Council's Recommendation 4.3.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit, Risk & Compliance Committee are contained on page 24 of the Directors' Report.

## Encourage Enhanced Performance

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. The Board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

During the reporting period, questionnaires were circulated to all members of the Board to conduct individual and group performance evaluations. These questionnaires were collated and analysed, providing the Board with valuable feedback and evaluation for future development.

### Remunerate Fairly and Responsibly

Profiles of members and details of meetings of the Remuneration Committee are detailed on pages 19 to 21 of the Directors' Report.

The Committee is responsible for, but not limited to:

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company.
- Approving the design of Executive & Employee incentive plans (including equity-based plans) and proposed payments or awards under such plans.
- Reviewing performance hurdles associated with incentive plans.
- Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- Succession planning for the CEO and Senior Executive Officers.

- Performance assessment of the CEO and Senior Executives.
- Recommending policy on the selection of Board Members.
- Recommending prospective Board Members to the Full Board of the Company.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Current remuneration is disclosed in Note 6: Key Management Personnel Compensation.

# Directors' Report

The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2006.

## Directors

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

- Mr Marcus Clark
- Mr Eugene Kopp
- Dr George Mihaly
- Dr Richard Hammel
- Dr John Sime

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Company Secretary

Mr Phillip Hains held the position of Company Secretary at the end of the financial year.

Mr Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees. He has over 21 years experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.

## Principal Activities

The consolidated entity's principal activities in the course of the financial year were the research and commercialisation of licensed medical biotechnology through its subsidiaries.

There have been no significant changes in the nature of those principal activities during the financial year.

## Review and Results of Operations

The consolidated net loss for the year after income tax and eliminating outside equity interests amounted to \$4,253,473 (2005: \$6,293,512). The Review of Operations is set out on pages 8 to 14.

## Earnings Per Share

Basic loss per share 2.45 cents. (2005: 5.29 cents.)

## Dividends

The Company did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect to the 2006 financial year.

## Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Annual Report.

## Corporate Structure

Prima Biomed Ltd is a Company limited by shares that is incorporated and domiciled in Australia. It has four subsidiaries,

Arthron Pty Ltd, Cancer Vac Pty Ltd, Oncomab Pty Ltd and Panvax Ltd. Prima Biomed Ltd owned a 100% interest in all subsidiaries as at 30 June 2006 except for Arthron Pty Ltd which was 99.95% owned.

## Employees

The Company employed 5 employees at 30 June 2006 (2005: 6 employees).

## Subsequent Events

On 12 September 2006, the Company announced its intention to raise a minimum of \$1 million and up to a maximum of \$3.5 million through a share purchase plan (SPP). An amount of up to \$1 million has been fully underwritten by stock broking firm Taylor Collison Limited. Shareholders registered as of 12 September 2006 (the record date) will be eligible to apply for a minimum of \$2,000 and a maximum of \$5,000 of ordinary shares at \$0.063 per share, which represents a 7.5% discount to a 30 day weighted average market price.

Otherwise there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Future Developments, Prospects and Business Strategies

The likely developments in the consolidated entity's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations contained elsewhere in this Annual Report.

## Environmental Issues

The consolidated entity is involved in scientific research and development. The pursuit of these activities is the subject of a research agreement with the Austin Research Institute who undertakes these activities on behalf of the consolidated entity. Accordingly, the activities of the consolidated entity do not create any significant environmental impact to any material extent.

## Information on Directors

### Mr Marcus Clark

#### Chief Executive Officer & Executive Director

*Appointed:* Mr Clark was appointed a Director of the Company on 31 May 2001. Mr Clark was last re-elected by the Shareholders on 28 November 2002.

*Qualifications:* B. Pharm., M.Sc. MBA

*Experience:* Mr Clark, aged 55, has a career in pharmaceuticals and diagnostics spanning twenty-four years. He was CEO of Ilexus Pty Ltd, the Austin Research Institute's commercialisation company. Before joining Ilexus he was in charge of the Australian and New Zealand business for Medisense Inc, a North American group, overseeing

the glucose diagnostic business for Abbott Laboratories. Before that he was Managing Director of Farmitalia Carlo Erba, a global pharmaceutical group based in Milan which has since been acquired by Pharmacia Upjohn and subsequently Pfizer Inc. Farmitalia had the largest pharmaceutical sales of anti-cancer products and introduced Adriamycin, the highest selling anti-cancer product, to the oncology market. Mr Clark has also held management positions with Hoechst, Roussel and Sigma in marketing, regulatory affairs and technical services.

*Interest in Shares and Options:* 411,544 Ordinary Shares  
1,533,334 Options

*Special Responsibilities:* Member of Remuneration Committee

*Directorships held in other listed entities:* Nil

**Mr Eugene Kopp**  
**Executive Chairman**

*Appointed:* Mr Kopp was appointed a Director of the Company on 17 June 2004. Mr Kopp was elected by the Shareholders on 30 November 2004. He was last re-elected by the shareholders on 16 November 2005.

*Qualifications:* B. Econ, MBA

*Experience:* Mr Kopp, aged 44, is Managing Director of private equity company, Bluscan Pty Ltd, which invests in private and listed companies focusing on emerging technologies and turn around opportunities. He currently holds a non-executive directorship in Conve Plc., an Australian biotechnology firm developing anti-fungal treatments based in the UK.

He is the former Non-Executive Chairman of Sonnet Ltd, an ASX publicly listed IT systems integration company. Previously, he was a director of ANZ Investment Bank, heading up its Project Finance Advisory group in Australia and NZ. He has 21 years experience in merchant banking and six years experience of direct relevance to the biotechnology sector. He was with investment bank Deutsche Morgan Grenfell for five years based in London and Moscow as associate director of corporate finance.

He has a Bachelor of Economics and Politics from Monash University, Melbourne, and an MBA from IMD in Lausanne, Switzerland. He is a graduate member of the Australian Institute of Directors.

*Interest in Shares and Options:* 15,925,336 Ordinary Shares  
5,783,334 Options

*Special Responsibilities:* Chairman of the Audit, Risk & Compliance Committee and a member of the Remuneration Committee

*Directorships held in other listed entities:* Conve Plc. and Sonnet Ltd (resigned 1 July 2005)

**Dr George Mihaly**  
**Non-Executive Independent Director**

*Appointed:* Dr Mihaly was appointed a Director of the Company on 24 January 2005. He was elected by the shareholders on 16 November 2005.

*Qualifications:* B. Pharm, M.Sc., Ph.D. FAICD

*Experience:* Dr Mihaly, aged 53, has had an extensive and successful career spanning the research and commercial facets of the pharmaceutical industry.

During the period from mid 1994 to early 2000, Dr. Mihaly was the founding Executive Chairman and Managing Director of Synermedica Pty Ltd – one of Australia's leading independent consultant research organisations (CRO) to the pharmaceutical industry. Synermedica merged with the Global CRO, Kendle International Inc., in April 2000. Dr. Mihaly was Managing Director of the merged entity in Australia (now called Kendle Pty Ltd) until retiring from that role in December 2004. Dr Mihaly is also a non-executive Director of Prana Biotechnology Ltd.

Over the course of the last 27 years in academia and industry, Dr Mihaly has amassed extensive experience in both the science and logistics of setting up, monitoring, managing and evaluating results from Phase I, II, III and IV clinical trials.

*Interest in Shares and Options:* 75,000 Ordinary Shares  
500,000 Options

*Special Responsibilities:* Member of the Audit, Risk & Compliance Committee until 31 August 2005 and a member of the Remuneration Committee. Chairperson of the Scientific Advisory Panel (SAP)

*Directorships held in other listed entities:* Prana Biotechnology Ltd (appointed 9 December 1999)

**Dr Richard Hammel**  
**Non-Executive Director**

*Appointed:* Dr Hammel was appointed a Director of the Company on 24 January 2005. He was elected by the shareholders on 16 November 2005.

*Qualifications:* BS Pharm, MSc, PhD

*Experience:* Dr Hammel, aged 63, is the founding partner with ProPharma International Partners in San Francisco, USA. ProPharma is a pharmaceutical/biotechnology consulting firm providing a range of business, financial and product development services. He previously held senior management positions with Connetics Corporation (Vice President for Commercial Development), Matrix Pharmaceuticals Inc. (Vice President Business Development, Sales and Marketing) and held several positions at Glaxo Inc (Director, Professional Affairs; Director, New Business Development; and Director, Marketing Services).

Dr Hammel is widely recognised in the USA, Europe and Japan for his extensive 26 years expertise in commercialisation and licensing in emerging and developing biotechnology companies.

*Interest in Shares and Options:* 0 Ordinary Shares  
500,000 Options

*Special Responsibilities:* Nil

*Directorships held in other listed entities:* Nil

### **Dr John Sime**

#### **Non-Executive Independent Director**

*Appointed:* Dr Sime was appointed a Director of the Company on 14 April 2005. He was elected by the shareholders on 16 November 2005.

*Qualifications:* BSc, MSc, PhD

*Experience:* Dr Sime, aged 64, has extensive experience in a number of senior roles in pharmaceutical and biotechnology business development in Europe, Japan and USA with Beecham and SmithKline Beecham (now GlaxoSmithKline plc). Most recently he was Director, Research Support and Development at Imperial College London.

Dr Sime was Managing Director of Beecham Australia and New Zealand for nine years and later of SmithKline Beecham Pharmaceuticals Australia and New Zealand. As Chief Executive Officer of the UK Biotechnology Association (BIA) for six years until mid 2000, Dr Sime grew the membership of the association by more than four-fold and changed its direction from a technology exchange into a business development organisation. During this time with the BIA, Dr Sime was co-founder of EuropaBio, the pan European trade association for biotechnology companies. He was elected to the Board of the Mayne Group Ltd in 2004.

*Interest in Shares and Options:* 100,000 Ordinary Shares  
500,000 Options

*Special Responsibilities:* Member of the Audit, Risk & Compliance Committee from 31 August 2005 and Chairman of the Remuneration Committee

*Directorships held in other listed entities:* Symbion Health Limited (formerly Mayne Group Limited – 26 October 2004 until 18 November 2005) and Mayne Pharma Limited (appointed 29 September 2005)

### **Remuneration Report**

This report details the nature and amount of remuneration for each Director of Prima Biomed Ltd and for the Executives receiving the highest remuneration.

### **Remuneration Policy**

Remuneration of all Executive and Non-Executive Directors, Officers and Employees of the Company is determined by the Board.

The Company is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with “Best Practice” including the interests of Shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives’ position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount approved by Shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

For further details, refer to the Company’s Corporate Governance Statement contained elsewhere in this report.

### **Remuneration Policy versus Company Financial Performance**

The Company’s Remuneration Policy is not directly based on its financial performance, rather on industry practice, given the Company operates in the biotechnology sector and the Company has historically recorded losses.

The Company’s primary focus is research activities with a long term objective of developing and commercialising the research & development results.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues in the research and development phase. Shareholder wealth reflects this speculative and volatile market sector. This pattern is indicative of the Company’s performance over the past 5 years.

### **Performance Based Remuneration**

The purposes of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual’s performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI’s).

The Company uses a variety of KPI’s to determine achievement, depending on the role of the Executive being assessed. These include:

- Successful contract negotiations.
- Achievement of research project milestones within scheduled time and/or budget.
- Company share price reaching a targeted level on the ASX or applicable markets over a period of time.

During the year Ms Vanessa Waddell received performance based remuneration in the form of bonus payments and options.

In addition, Mr Marcus Clark, Mr Eugene Kopp and Ms Vanessa Waddell received performance based remuneration in the form of bonus payments for the successful sale of Arthron Pty Ltd intellectual property to Trillium Therapeutics Inc.

### Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and each of the specified executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Primary Benefit Base Fee	Other	Post-Employment Superannuation Contribution	Equity Options	Total
	\$	\$	\$	\$	\$
<b>Directors</b>					
Mr Marcus Clark	256,233	14,743	85,987	45,000	401,962
Mr Eugene Kopp	209,997	3,625	–	–	213,622
Dr George Mihaly	40,000	20,000	–	25,000	85,000
Dr Richard Hammel	52,856	–	–	25,000	77,856
Dr John Sime	–	–	40,000	25,000	65,000
<b>Specified Executives</b>					
Ms Vanessa Waddell	171,904	10,800	13,125	11,660	207,490
Dr Emma Ball <sup>1</sup>	103,905	–	9,460	100	113,465
Mr Phillip Hains	20,000	180,000	–	–	200,000
	854,895	229,168	148,572	131,760	1,364,396

1. 50,000 options were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.

### Performance Income as a Proportion of Total Remuneration

All executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore there is no fixed proportion between incentive and non-incentive remuneration. Non-Executive Directors are not entitled to receive bonuses and/or incentives.

### Equity Issued as Part of Remuneration for the Year Ended 30 June 2006

This section only refers to those shares and options issued as part of remuneration. As a result they may not indicate all shares and options held by a Director or Senior Executive.

The following table discloses the value of options granted, exercised, sold or lapsed during the year for Directors and Group Executives.

	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
	\$	%	\$	\$	\$
<b>Directors</b>					
Mr Marcus Clark	45,000	11%	–	–	45,000
Mr Eugene Kopp	–	0%	–	–	–
Dr George Mihaly	25,000	29%	–	–	25,000
Dr Richard Hammel	25,000	32%	–	–	25,000
Dr John Sime	25,000	38%	–	–	25,000
<b>Specified Executives</b>					
Ms Vanessa Waddell	11,660	6%	–	–	11,660
Dr Emma Ball <sup>1</sup>	100	0%	–	–	100
Mr Phillip Hains	–	0%	–	–	–
	131,760		–	–	131,760

1. 50,000 options were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.

The following table discloses the movement in Directors and Group Executives Options:

	Balance 1 July 2005 No.	Granted as Remuneration No.	Options Exercised No.	Options Lapsed No.	Balance 30 June 2006 No.
<b>Directors</b>					
Mr Marcus Clark	1,500,000	1,000,000	–	(1,000,000)	1,500,000
Mr Eugene Kopp	1,000,000	–	–	–	1,000,000
Dr George Mihaly	–	500,000	–	–	500,000
Dr Richard Hammel	–	500,000	–	–	500,000
Dr John Sime	–	500,000	–	–	500,000
<b>Specified Executives</b>					
Ms Vanessa Waddell	745,000	333,000	–	(214,000)	864,000
Dr Emma Ball <sup>1</sup>	252,100	–	–	–	252,100
Mr Phillip Hains	100,000	–	–	(100,000)	–
	3,597,100	2,833,000	–	(1,314,000)	5,116,100

1. 50,000 options were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.

### Employment Contracts of Directors and Senior Executives

The following Directors and Senior Executives were under contract at 30 June 2006:

Directors	Duration	Notice Requirements	Termination
Mr Marcus Clark	2 years commencing 1 December 2004	6 Months	Redundancy under merger or acquisition – 12 months notice payment
Mr Eugene Kopp	2 years commencing 1 December 2004	6 Months	Under merger or acquisition – 12 months notice payment

Specified Executives	Duration	Notice Requirements	Termination
Ms Vanessa Waddell	Initial term until 1 December 2005 and then expires upon notice of either party	3 months	Annual leave, long service leave and equity entitlements
Dr Emma Ball	Expires upon notice of either party	1 months	Annual leave, long service leave and equity entitlements
Mr Phillip Hains	Expires upon notice of either party	3 months	

### Meetings of Directors

The following table sets out the number of Directors' Meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each

Director (while they were a Director or committee member). During the financial year 6 Board Meetings, 2 Audit, Risk and Compliance Committee Meetings, and 2 Remuneration Committee Meetings were held.

	Directors' Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit, Risk & Compliance Committee		Remuneration Committee	
			Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Marcus Clark	6	6	–	–	2	2
Mr Eugene Kopp	6	6	2	2	2	2
Dr George Mihaly	6	5	1	1	2	2
Dr Richard Hammel	6	6	–	–	–	–
Dr John Sime	6	6	1	1	2	1

### Indemnification and Insurance of Directors and Officers

During the financial year the Company entered into an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such as Officer or Auditor.

### Options

As at the date of this report the unissued ordinary shares of Prima Biomed Ltd under options are as follows:

Number under option <sup>1</sup>	Date of expiry	Exercise price	Escrow period
3,140,000	30/11/06	\$0.20	
27,800,055	30/11/06	\$0.20	
1,000,000	26/02/07	\$0.40	
1,000,000	26/02/07	\$0.60	
5,200,000	26/02/09	\$0.20	
1,000,000	26/02/09	\$0.30	30/11/06
39,140,055			

1. 50,000 options were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.

### Shares Issued as a Result of the Exercise of Options

During the year ended 30 June 2006 no ordinary shares of Prima Biomed Ltd were issued as a result of the exercise of options.

### Non-audit Services

The Directors, in accordance with advice from the Audit, Risk and Compliance Committee, are satisfied that the provision of non-audit services during the year is compatible

with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit, Risk & Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the auditor of the Company, Hall Chadwick during the year ended 30 June 2006:

	\$
Other – grant audits	6,250
	6,250

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 25 of the Annual Report.

Signed in accordance with a resolution of the Directors made pursuant to s298(2) of the Corporations Act 2001.



**Mr Eugene Kopp**  
Executive Chairman

Dated this 28th Day of September 2006

# Independence Declaration

Lead Auditor's Independence Declaration under Section 307c of The Corporations Act 2001

To the directors of Prima Biomed Ltd.

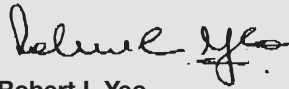
I declare that, to the best of my knowledge and belief, in relation to the year end audit for the year ended 30 June 2006, there have been:

- a) No contraventions of the auditor independence requirements as set out in 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.



**Hall Chadwick**

Chartered Accountants



**Robert L Yeo**

Partner

Melbourne, 28 September 2006

# Income Statement

For the year ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue	3	3,876,910	1,068,386	1,602,822	1,344,104
Depreciation	4	(14,782)	(22,674)	(12,853)	(20,744)
Audit Fees	7	(54,850)	(62,230)	(46,200)	(60,230)
Amortisation	4	(56,436)	(130,582)	–	–
Research & Development Expenses	4	(2,759,775)	(3,654,903)	(237,482)	(184,725)
Corporate Administration	4	(2,373,210)	(1,921,888)	(3,304,886)	(3,844,398)
Business Development	4	(559,020)	(395,935)	(353,941)	(327,704)
Intellectual Property	4	(214,735)	(1,233,582)	(10,612)	(9,793)
Losses borne by Parent Entity	4	(105,470)	(792,112)	–	–
Goodwill Impairment	4	(2,096,506)	–	–	–
Loss before income tax expense		(4,357,874)	(7,145,520)	(2,363,152)	(3,103,490)
Income tax expense	5	–	–	–	–
Net loss		(4,357,874)	(7,145,520)	(2,363,152)	(3,103,490)
Net loss attributable to minority equity interests		104,401	852,008	–	–
Net loss attributable to members of the parent entity		(4,253,473)	(6,293,512)	(2,363,152)	(3,103,490)
Total changes in equity other than those resulting from transactions with owners as owners		(4,253,473)	(6,293,512)	(2,363,152)	(3,103,490)
Basic loss per share (cents per share)	8	(2.45)	(5.29)		
Diluted loss per share (cents per share)	8	(2.45)	(5.29)		

The accompanying notes form part of these financial statements.

# Balance Sheet

As at 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	9	3,211,349	7,533,002	3,039,734	7,399,013
Trade and other receivables	10	112,095	76,495	261,553	68,833
Other current assets	16	68,486	208,484	31,903	80,211
<b>Total Current Assets</b>		<b>3,391,930</b>	<b>7,817,981</b>	<b>3,333,190</b>	<b>7,548,057</b>
<b>Non-current Assets</b>					
Trade and other receivables	10	–	–	7,853,900	5,697,796
Other financial assets	11	3,249,120	–	8,894,507	6,797,488
Plant and equipment	13	51,290	46,874	44,364	38,018
Intangible assets	15	667,584	1,266,357	–	–
<b>Total Non-current Assets</b>		<b>3,967,994</b>	<b>1,313,231</b>	<b>16,792,771</b>	<b>12,533,302</b>
<b>Total Assets</b>		<b>7,359,924</b>	<b>9,131,212</b>	<b>20,125,961</b>	<b>20,081,359</b>
<b>Current Liabilities</b>					
Trade and other payables	17	974,992	725,234	397,321	221,437
Provisions	18	51,325	49,309	51,325	49,309
<b>Total Current Liabilities</b>		<b>1,026,317</b>	<b>774,543</b>	<b>448,646</b>	<b>270,746</b>
<b>Non-current Liabilities</b>					
Provisions	18	17,009	13,568	17,009	13,568
<b>Total Non-current Liabilities</b>		<b>17,009</b>	<b>13,568</b>	<b>17,009</b>	<b>13,568</b>
<b>Total Liabilities</b>		<b>1,043,326</b>	<b>788,111</b>	<b>465,655</b>	<b>284,314</b>
<b>Net Assets</b>		<b>6,316,598</b>	<b>8,343,101</b>	<b>19,660,306</b>	<b>19,797,045</b>
<b>Equity</b>					
Issued capital	19	37,141,706	34,915,293	37,141,706	34,915,293
Accumulated losses		(30,825,665)	(26,572,192)	(17,481,400)	(15,118,248)
Parent entity interest		6,316,041	8,343,101	19,660,306	19,797,045
Outside equity interest		557	–	–	–
<b>Total Equity</b>		<b>6,316,598</b>	<b>8,343,101</b>	<b>19,660,306</b>	<b>19,797,045</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2006

	Economic Entity			Total \$
	Issued Capital \$	Accumulated Losses \$	Outside Equity Interest \$	
Balance at 1 July 2004	25,344,995	(20,278,680)	59,896	5,126,211
Equity issued during the year	9,570,298	–	–	9,570,298
Loss attributable to members of parent entity	–	(6,293,512)	–	(6,293,512)
Loss attributable to minority shareholders	–	–	(59,896)	(59,896)
Balance at 30 June 2005	34,915,293	(26,572,192)	–	8,343,101
Equity issued during the year	2,226,413	–	–	2,226,413
Loss attributable to members of parent entity	–	(4,253,473)	–	(4,253,473)
Profit attributable to minority shareholders	–	–	557	557
Balance at 30 June 2006	37,141,706	(30,825,665)	557	6,316,598

	Parent Entity			Total \$
	Issued Capital \$	Accumulated Losses \$	Outside Equity Interest \$	
Balance at 1 July 2004	25,344,995	(12,014,758)	–	13,330,237
Equity issued during the year	9,570,298	–	–	9,570,298
Loss attributable to members of parent entity	–	(3,103,490)	–	(3,103,490)
Balance at 30 June 2005	34,915,293	(15,118,248)	–	19,797,045
Equity issued during the year	2,226,413	–	–	2,226,413
Loss attributable to members of parent entity	–	(2,363,152)	–	(2,363,152)
Balance at 30 June 2006	37,141,706	(17,481,400)	–	19,660,306

The accompanying notes form part of these financial statements.

# Cash Flow Statement

For the year ended 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Cash Flows from Operating Activities</b>					
Payments to suppliers and employees		(5,676,640)	(5,858,285)	(2,491,347)	(2,254,776)
Interest and other items of similar nature received		268,518	286,180	250,585	279,555
Intercompany Revenue		–	–	463,990	496,372
Grant Income		227,591	272,841	–	–
Licence Fees		65,290	381,820	–	–
R&D Services		63,599	182,655	–	–
Net cash used in operating activities	23	(5,051,642)	(4,734,789)	(1,776,772)	(1,478,849)
<b>Cash Flows from Investing Activities</b>					
Payment for purchases of plant and equipment		(19,199)	(8,687)	(19,199)	(8,687)
Advances to related parties		–	–	(2,543,383)	(3,300,213)
Proceeds from sale of intellectual property		769,113	–	–	–
Net cash provided by (used in) investing activities		749,914	(8,687)	(2,562,582)	(3,308,900)
<b>Cash Flows from Financing Activities</b>					
Proceeds from issues of securities		–	10,038,000	–	10,038,000
Capital raising costs		(19,925)	(546,294)	(19,925)	(546,294)
Net cash provided by (used in) financing activities		(19,925)	9,491,706	(19,925)	9,491,706
Net increase/(decrease) in cash held		(4,321,653)	4,748,230	(4,359,279)	4,703,957
Cash and cash equivalents at 1 July 2005		7,533,002	2,784,772	7,399,013	2,695,056
Cash and cash equivalents at 30 June 2006	9	3,211,349	7,533,002	3,039,734	7,399,013

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2006

## Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Prima Biomed Ltd and controlled entities, and Prima Biomed Ltd as an individual parent entity. Prima Biomed Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Prima Biomed Ltd and controlled entities, being the economic entity, comply with all Australian equivalents to International Financial Reporting Standards (A-IFRS) in their entirety.

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

### Basis of Preparation

#### *First-time adoption of Australian equivalents to International Financial Reporting Standards*

Prima Biomed Ltd and controlled entities, being the economic entity, have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS) from 1 July 2004.

In accordance with the requirements of AASB 1: First-time adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and economic entity accounts resulting from the introduction of A-IFRS have been applied retrospectively to 2005 comparative figures. These consolidated accounts are the first financial statements of the economic entity to be prepared in accordance with Australian equivalents to A-IFRS.

Reconciliations of the transition from previous Australian GAAP to A-IFRS have been included in Note 2 to this report.

#### *Reporting basis and conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### a. Principles of Consolidation

A controlled entity is any entity controlled by Prima Biomed Ltd. Control exists where Prima Biomed Ltd has the capacity

to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Prima Biomed Ltd to achieve the objectives of Prima Biomed Ltd. A list of controlled entities is contained in Note 12 to the financial statements.

All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

#### b. Income Tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Income Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## Note 1: Statement of Significant Accounting Policies (continued)

### c. Plant and Equipment

#### *Plant and equipment*

Plant and equipment are measured on the cost basis, less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The useful life for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Plant and equipment	3-5 years
Furniture and Fittings	3-20 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount would otherwise be greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Income Statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### d. Leases

#### *Finance Leases*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction

of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful life where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

#### *Operating Leases*

Leases payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### e. Financial Instruments

#### *Recognition*

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### *Investments*

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit before income tax.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### *Fair value*

Fair value is determined based current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities; including recent arm's length transactions, reference to similar instruments and option pricing models.

#### *Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Income Statement.

## Note 1: Statement of Significant Accounting Policies (continued)

### f. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Impairment testing is performed annually for goodwill and intangible assets with infinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### g. Intangibles

#### *Goodwill*

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Licences, Patents and Trademarks*

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 15 to 20 years.

#### *Research and Development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

### h. Foreign Currency Transactions and Balances

#### *Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Income Statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Income Statement.

#### *Group Companies*

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date (monetary items) or historical rates (non-monetary items).
- Income and expenses are translated at average exchange rates for the period.
- Retained profits/accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Balance Sheet. These differences are recognised in the Income Statement in the period in which the operation is disposed.

### i. Employee Entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

## **Note 1: Statement of Significant Accounting Policies (continued)**

### **j. Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Balance Sheet.

### **k. Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### **l. Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

### **m. Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the economic entity.

Payables to related parties are carried at the principle amount. Interest, when charged by the lender is recognised as an expense on an accruals basis.

### **n. Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### **o. Share Capital**

Ordinary share capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **p. Share-based Payments**

Equity-settled payments are measured at fair value at the date of grant or entitlement. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability or exercise restrictions.

The fair value determined for the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

### **q. Loss per Share**

Basic loss per share is determined by dividing the net loss after income tax expense by the weighted average number of ordinary shares outstanding during the financial year. For all periods presented, diluted loss per share is equivalent to basic loss per share as the potentially dilutive securities are excluded from the computation of diluted loss per share because the effect is anti-dilutive.

### **r. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

### **s. Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grants to the cost they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

### **t. Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

## Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards

### Reconciliation of equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 \$	Economic Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 1 July 2004 \$
<b>Current Assets</b>				
Cash and Cash Equivalents		2,784,772	–	2,784,772
Trade and Other Receivables		603,362	–	603,362
Other Current Assets		19,831	–	19,831
<b>Total Current Assets</b>		<b>3,407,965</b>	<b>–</b>	<b>3,407,965</b>
<b>Non-current Assets</b>				
Plant and Equipment		60,861	–	60,861
Intangible Assets		2,298,862	–	2,298,862
<b>Total Non-current Assets</b>		<b>2,359,723</b>	<b>–</b>	<b>2,359,723</b>
<b>Total Assets</b>		<b>5,767,688</b>	<b>–</b>	<b>5,767,688</b>
<b>Current Liabilities</b>				
Trade and Other Payables		601,620	–	601,620
Short-term Provisions		35,901	–	35,901
<b>Total Current Liabilities</b>		<b>637,521</b>	<b>–</b>	<b>637,521</b>
<b>Non-current Liabilities</b>				
Long-term Provisions		3,956	–	3,956
<b>Total Non-current Liabilities</b>		<b>3,956</b>	<b>–</b>	<b>3,956</b>
<b>Total Liabilities</b>		<b>641,477</b>	<b>–</b>	<b>641,477</b>
<b>Net Assets</b>		<b>5,126,211</b>	<b>–</b>	<b>5,126,211</b>
<b>Equity</b>				
Issued Capital		25,344,995	–	25,344,995
Accumulated Losses		(20,278,680)	–	(20,278,680)
<b>Total Parent Entity Interest</b>		<b>5,066,315</b>	<b>–</b>	<b>5,066,315</b>
Minority Equity Interest		59,896	–	59,896
<b>Total Equity</b>		<b>5,126,211</b>	<b>–</b>	<b>5,126,211</b>

**Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards (continued)**

**Reconciliation of equity at 30 June 2005**

	Note	Previous GAAP at 30 June 2005 \$	Economic Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 30 June 2005 \$
<b>Current Assets</b>				
Cash and Cash Equivalents		7,533,002	–	7,533,002
Trade and Other Receivables		76,495	–	76,495
Other Current Assets		208,484	–	208,484
<b>Total Current Assets</b>		<b>7,817,981</b>	<b>–</b>	<b>7,817,981</b>
<b>Non-current Assets</b>				
Plant and Equipment		46,874	–	46,874
Intangible Assets		1,266,357	–	1,266,357
<b>Total Non-current Assets</b>		<b>1,313,231</b>	<b>–</b>	<b>1,313,231</b>
<b>Total Assets</b>		<b>9,131,212</b>	<b>–</b>	<b>9,131,212</b>
<b>Current Liabilities</b>				
Trade and Other Payables		725,234	–	725,234
Short-term Provisions		49,309	–	49,309
<b>Total Current Liabilities</b>		<b>774,543</b>	<b>–</b>	<b>774,543</b>
<b>Non-current Liabilities</b>				
Long-term Provisions		13,568	–	13,568
<b>Total Non-current Liabilities</b>		<b>13,568</b>	<b>–</b>	<b>13,568</b>
<b>Total Liabilities</b>		<b>788,111</b>	<b>–</b>	<b>788,111</b>
<b>Net Assets</b>		<b>8,343,101</b>	<b>–</b>	<b>8,343,101</b>
<b>Equity</b>				
Issued Capital	2a	34,846,076	69,217	34,915,293
Accumulated Losses	2c	(26,502,975)	(69,217)	(26,572,192)
<b>Total Parent Entity Interest</b>		<b>8,343,101</b>	<b>–</b>	<b>8,343,101</b>
Minority Equity Interest		–	–	–
<b>Total Equity</b>		<b>8,343,101</b>	<b>–</b>	<b>8,343,101</b>

## Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards (continued)

### Reconciliation of equity at 1 July 2004

Note	Previous GAAP at 1 July 2004 \$	Parent Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 1 July 2004 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	2,695,056	–	2,695,056
Trade and Other Receivables	57,878	–	57,878
Other Current Assets	19,813	–	19,813
<b>Total Current Assets</b>	<b>2,772,747</b>	<b>–</b>	<b>2,772,747</b>
<b>Non-current Assets</b>			
Financial Assets	6,797,488	–	6,797,488
Plant and Equipment	50,075	–	50,075
Intercompany Loans	3,901,932	–	3,901,932
<b>Total Non-current Assets</b>	<b>10,749,495</b>	<b>–</b>	<b>10,749,495</b>
<b>Total Assets</b>	<b>13,522,242</b>	<b>–</b>	<b>13,522,242</b>
<b>Current Liabilities</b>			
Trade and Other Payables	152,148	–	152,148
Short-term Provisions	35,901	–	35,901
<b>Total Current Liabilities</b>	<b>188,049</b>	<b>–</b>	<b>188,049</b>
<b>Non-current Liabilities</b>			
Long-term Provisions	3,956	–	3,956
<b>Total Non-current Liabilities</b>	<b>3,956</b>	<b>–</b>	<b>3,956</b>
<b>Total Liabilities</b>	<b>192,005</b>	<b>–</b>	<b>192,005</b>
<b>Net Assets</b>	<b>13,330,237</b>	<b>–</b>	<b>13,330,237</b>
<b>Equity</b>			
Issued Capital	25,344,995	–	25,344,995
Accumulated Losses	(12,014,758)	–	(12,014,758)
<b>Total Parent Equity Interest</b>	<b>13,330,237</b>	<b>–</b>	<b>13,330,237</b>
Minority Equity Interest	–	–	–
<b>Total Equity</b>	<b>13,330,237</b>	<b>–</b>	<b>13,330,237</b>

**Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards (continued)**

**Reconciliation of equity at 30 June 2005**

	Note	Previous GAAP at 30 June 2005 \$	Parent Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 30 June 2005 \$
<b>Current Assets</b>				
Cash and Cash Equivalents		7,399,013	–	7,399,013
Trade and Other Receivables		68,833	–	68,833
Other Current Assets		80,211	–	80,211
<b>Total Current Assets</b>		<b>7,548,057</b>	<b>–</b>	<b>7,548,057</b>
<b>Non-current Assets</b>				
Financial Assets		6,797,488	–	6,797,488
Plant and Equipment		38,018	–	38,018
Intercompany Loans	2b	5,276,289	421,507	5,697,796
<b>Total Non-current Assets</b>		<b>12,111,795</b>	<b>421,507</b>	<b>12,533,302</b>
<b>Total Assets</b>		<b>19,659,852</b>	<b>421,507</b>	<b>20,081,359</b>
<b>Current Liabilities</b>				
Trade and Other Payables		221,437	–	221,437
Short-term Provisions		49,309	–	49,309
<b>Total Current Liabilities</b>		<b>270,746</b>	<b>–</b>	<b>270,746</b>
<b>Non-current Liabilities</b>				
Long-term Provisions		13,568	–	13,568
<b>Total Non-current Liabilities</b>		<b>13,568</b>	<b>–</b>	<b>13,568</b>
<b>Total Liabilities</b>		<b>284,314</b>	<b>–</b>	<b>284,314</b>
<b>Net Assets</b>		<b>19,375,538</b>	<b>421,507</b>	<b>19,797,045</b>
<b>Equity</b>				
Issued Capital	2a	34,846,076	69,217	34,915,293
Accumulated Losses	2c	(15,470,538)	352,290	(15,118,248)
<b>Total Parent Entity Interest</b>		<b>19,375,538</b>	<b>421,507</b>	<b>19,797,045</b>
Minority Equity Interest		–	–	–
<b>Total Equity</b>		<b>19,375,538</b>	<b>421,507</b>	<b>19,797,045</b>

## Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards (continued)

### Reconciliation of Loss for the year ended 30 June 2005

		Previous GAAP at 30 June 2005 \$	Economic Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 30 June 2005 \$
	Note			
<b>Revenue</b>		<b>1,068,386</b>	–	<b>1,068,386</b>
Audit Fees		(62,230)	–	(62,230)
Depreciation		(22,674)	–	(22,674)
Amortisation		(130,582)	–	(130,582)
Research & Development Expenses	2a	(3,642,283)	(12,620)	(3,654,903)
Corporate Administration	2a	(1,872,305)	(49,583)	(1,921,888)
Business Development	2a	(388,921)	(7,014)	(395,935)
Intellectual Property		(1,233,582)	–	(1,233,582)
Losses borne by Parent Entity		(792,112)	–	(792,112)
<b>(Loss) before income tax expense</b>		<b>(7,076,303)</b>	<b>(69,217)</b>	<b>(7,145,520)</b>
Income tax expense		–	–	–
<b>(Loss) for the year</b>		<b>(7,076,303)</b>	<b>(69,217)</b>	<b>(7,145,520)</b>
<b>Net (loss) attributable to minority interest</b>		<b>852,008</b>	–	<b>852,008</b>
<b>Net (loss) attributable to members of the parent entity</b>		<b>(6,224,295)</b>	<b>(69,217)</b>	<b>(6,293,512)</b>

### Reconciliation of Loss for the year ended 30 June 2005

		Previous GAAP at 30 June 2005 \$	Parent Entity Adjustments on introduction of A-IFRS \$	A-IFRS at 30 June 2005 \$
	Note			
<b>Revenue</b>	2b	<b>776,124</b>	<b>567,980</b>	<b>1,344,104</b>
Audit Fees		(60,230)	–	(60,230)
Depreciation		(20,744)	–	(20,744)
Research & Development Expenses	2a	(172,105)	(12,620)	(184,725)
Corporate Administration	2a & 2b	(1,722,486)	(196,056)	(1,918,542)
Business Development	2a	(320,690)	(7,014)	(327,704)
Intellectual Property		(9,793)	–	(9,793)
Intercompany Expenses		(1,925,856)	–	(1,925,856)
<b>(Loss) before income tax expense</b>		<b>(3,455,780)</b>	<b>352,290</b>	<b>(3,103,490)</b>
Income tax expense		–	–	–
<b>(Loss) for the year</b>		<b>(3,455,780)</b>	<b>352,290</b>	<b>(3,103,490)</b>
<b>Net (loss) attributable to minority interest</b>		–	–	–
<b>Net (loss) attributable to members of the parent entity</b>		<b>(3,455,780)</b>	<b>352,290</b>	<b>(3,103,490)</b>

## Note 2: First-time adoption of Australian equivalents to International Financial Reporting Standards (continued)

Notes to the reconciliation of equity and profit and loss at 1 July 2004 and 30 June 2005.

### a. Share based payments

Under the Superseded Policies, the Economic Entity and the Parent Entity did not recognise an expense for share-based compensation granted to employees or directors. Under A-IFRS, the fair value of share options issued to employees and directors is determined at grant date and expensed over the expected vesting period of the options. As permitted under A-IFRS first time adoption, the consolidated entity did not retrospectively recognise share based payments that were granted before 7 November 2002 and share based payments granted after 7 November 2002 that vested before 1 January 2005.

For the financial year ended 30 June 2005, under A-IFRS, for both the Economic Entity and the Parent Entity, issued capital increased by \$69,217 and an additional personnel expense of the same amount was recognised in the Income Statement in relation to the options issued during the year.

### b. Financial Instruments

The directors had elected not to apply the first-time adoption exemption available to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. This standard had nil effect on the financial statements of the Economic Entity. However this increases the value of the loan from the Parent Entity to its subsidiaries as interest is charged at the ATO benchmark rate. For the year ended 30 June 2005 revenue increased by \$567,980 for the Parent Entity and non-current receivables increased by \$421,508 for the Parent Entity. The increase in provision for non-recovery of the loans, increased the corporate and administration expenses by \$146,472 for the Parent Entity.

### c. Accumulated losses

The effect of the above adjustments on accumulated losses is as follows:

	Economic Entity		Parent Entity	
	01 Jul 04	30 Jun 05	01 Jul 04	30 Jun 05
	\$	\$	\$	\$
Expensing of share based payments	–	(69,217)	–	(69,217)
	–	(69,217)		
			Parent Entity	
			01 Jul 04	30 Jun 05
			\$	\$
Expensing of share based payments	–	(69,217)	–	(69,217)
Interest on intercompany loans	–	567,980	–	567,980
Provision for non-recovery of intercompany loans	–	(146,473)	–	(146,473)
	–	352,290		
			Parent Entity	
			2006	2005
			\$	\$
			2006	2005
			\$	\$

## Note 3: Revenue

### Operating activities

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Licence Fees	65,290	381,820	–	–
R&D Services	86,738	182,655	–	–
	152,028	564,475	–	–
<b>Non-operating activities</b>				
Interest	268,518	286,155	936,969	847,510
AusIndustry Grant	75,654	220,440	–	–
Sale of Intellectual Property	3,380,114	–	–	–
Other	596	(2,684)	665,853	496,594
	3,724,882	503,911	1,602,822	1,344,104
<b>Total Revenue</b>	<b>3,876,910</b>	<b>1,068,386</b>	<b>1,602,822</b>	<b>1,344,104</b>

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Note 4: Profit/Loss</b>					
Profit/Loss before income tax has been determined after:					
<b>Expenses:</b>					
Depreciation of non-current assets:					
– Plant and Equipment		7,577	7,167	7,577	7,167
– Furniture and Fittings		7,205	15,507	5,276	13,577
Total depreciation		14,782	22,674	12,853	20,744
Amortisation of non-current assets:					
– Licences		56,436	130,582	–	–
Total amortisation		56,436	130,582	–	–
Research and Development costs:					
– Research and Development Expenses		2,759,775	3,654,903	237,482	184,725
Total research and development costs		2,759,775	3,654,903	237,482	184,725
Intellectual Property:					
– Legal Patent Costs		211,450	325,291	10,077	9,378
– Provision for write down of Intellectual Property		–	901,923	–	–
– Other		3,285	6,368	535	415
Total Intellectual Property		214,735	1,233,582	10,612	9,793
Goodwill Impairment:					
– Goodwill Impairment		3,527,976	–	–	–
– Reversal of previous losses borne by Prima for OEI		(1,431,470)	–	–	–
Total Goodwill Impairment	4a	2,096,506	–	–	–
Other Expenses:					
– Audit Fees	7	54,850	62,230	46,200	60,230
– Corporate Administration		2,373,210	1,921,888	3,304,886	3,844,398
– Business Development		559,020	395,935	353,941	327,704
– Losses borne by Parent Entity		105,470	792,112	–	–
Total Other Expenses		3,092,550	3,172,165	3,705,027	4,232,332
<b>Total Expenses</b>		<b>8,234,784</b>	<b>8,213,906</b>	<b>3,965,974</b>	<b>4,447,594</b>

**a. Goodwill Impairment**

On 12 July 2005, Biomira Inc. exercised its Put Option to take up equity in Prima. As a result Biomira converted its 10.39% equity in Cancer Vac to 2,594,034 Prima Shares.

On 24 August 2005, Prima announced that it had entered into a formal agreement with the ARI, through which the ARI transferred their shares in the Company's subsidiaries to Prima for a total of 13,919,618 shares in Prima. As a result the ARI transferred to Prima, its 6.99% equity in Arthron, its 13.44% equity in Cancer Vac, its 15% equity in Panvax and its 15% equity in Oncomab.

On 10 August 2005, the Company issued a Prospectus offering to acquire the remaining minority interests of the security holders in its subsidiaries. As a result 7.96% of equity in Arthron was converted to 2,654,640 Prima Shares.

As part of the acquisition of the minority shareholders shares in the various subsidiaries of Prima by Prima, goodwill was created. Goodwill occurs where the amount paid for an investment exceeds the fair value of the items acquired. Fair value was the book value of the subsidiaries net assets. Goodwill was calculated at 31 August 2005 for all of the subsidiaries and again at 30 November 2005 and 30 June 2006 for Arthron. At 30 June 2006, Prima owned 100% of Cancer Vac, Panvax and Oncomab and 99.95% of Arthron. Goodwill was calculated as follows:

## Note 4: Profit/Loss (continued)

### a. Goodwill Impairment (continued)

	Segment				Total \$
	Cancer Immuno- Therapy	Anti- Inflammatory	Drug Delivery Systems	Therapeutic Antibodies for Cancer	
	Arthron Pty Ltd \$	Cancer Vac Pty Ltd \$	Panvax Ltd \$	Oncomab Pty Ltd \$	
Net assets of subsidiary	(1,610,845)	(3,366,005)	(2,325,782)	(371,932)	(7,674,564)
Value of minority net assets acquired	(224,301)	(802,000)	(348,866)	(55,790)	(1,430,957)
Consideration paid	385,305	770,151	618,848	322,715	2,097,019
<b>Goodwill on acquisition of minority interests</b>	<b>609,606</b>	<b>1,572,151</b>	<b>967,714</b>	<b>378,505</b>	<b>3,527,976</b>
Losses taken up by Prima on behalf of minority interests	(224,814)	(802,000)	(348,866)	(55,790)	(1,431,470)

Given each of the subsidiary companies had negative net assets, and there is not a discounted cash flow in existence to support the carrying of goodwill, the goodwill has been written off through the Income Statement for the period ending 30 June 2006. This write off totals \$3,527,976 across the 4 subsidiaries. This is reduced by the losses previously taken up by Prima on behalf of the minority interest which totalled \$1,431,470 bringing the total amount in the Income Statement to \$2,096,506.

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Note 5: Income Tax Expense</b>				
<b>a. The prima facie tax on net loss before income tax is reconciled to the income tax as follows:</b>				
Prima facie tax on net loss before income tax at 30% (2005: 30%)				
– Economic entity	(1,307,362)	(2,143,656)	–	–
– Parent entity	–	–	(708,946)	(931,047)
	(1,307,362)	(2,143,656)	(708,946)	(931,047)
Add:				
Tax effect of:				
Non-tax deductible				
Legal Expenses	185,585	163,771	94,750	52,005
Amortisation of intangibles	16,931	39,175	–	–
Provision for Intercompany Transactions ie Loans & IP	–	270,577	366,041	577,757
Entertainment	122	2,087	122	2,087
Deferred tax asset not recognised	1,104,723	1,668,046	248,033	299,198
Income tax expense attributable to loss before income tax	–	–	–	–
<b>b. The potential deferred tax asset at 30 June 2006 in respect of tax losses not brought to account is:</b>				
Carried forward losses	7,729,794	6,663,060	1,901,966	1,733,389
Timing differences	(94,032)	(37,989)	(64,533)	(79,456)
	7,635,762	6,625,071	1,837,433	1,653,933

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- (ii) the losses are transferred to an eligible entity in the consolidated entity; and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

**Note 6: Key Management Personnel Compensation****a. Names and positions of Key Management Personnel are:****Parent Entity Directors**

- Mr Marcus Clark Chief Executive Officer & Executive Director
- Mr Eugene Kopp Executive Chairman
- Dr George Mihaly Non-Executive Director
- Dr Richard Hammel Non-Executive Director
- Dr John Sime Non-Executive Director

**Specified Executives**

- Ms Vanessa Waddell Business Development and Intellectual Property Manager
- Dr Emma Ball Project Manager
- Mr Phillip Hains Company Secretary

	Primary Benefit		Post –	Equity	Total
	Base	Other	Employment	Options	
	\$	\$	Super	\$	\$
			\$		
<b>b. Parent Entity Directors' Remuneration</b>					
<b>2006</b>					
Mr Marcus Clark <sup>1</sup>	256,233	14,743	85,987	45,000	401,962
Mr Eugene Kopp <sup>2</sup>	209,997	3,625	–	–	213,622
Dr George Mihaly <sup>3</sup>	40,000	20,000	–	25,000	85,000
Dr Richard Hammel	52,856	–	–	25,000	77,856
Dr John Sime	–	–	40,000	25,000	65,000
	559,087	38,368	125,987	120,000	843,441
<b>2005</b>					
Mr Marcus Clark	240,522	–	65,811	–	306,333
Mr Eugene Kopp	126,250	–	–	49,583	175,833
Dr George Mihaly	35,000	15,400	–	–	50,400
Dr Richard Hammel	26,020	–	–	–	26,020
Dr John Sime	–	–	8,420	–	8,420
Mr Richard Revelins	46,818	–	–	–	46,818
Mr Bryan Frost	67,500	–	–	–	67,500
Prof. Mark Hogarth	36,697	–	3,303	–	40,000
	578,807	15,400	77,534	49,583	721,324
<b>c. Specified Executives' Remuneration</b>					
<b>2006</b>					
Ms Vanessa Waddell <sup>4</sup>	171,904	10,800	13,125	11,660	207,490
Dr Emma Ball <sup>5</sup>	103,905	–	9,460	100	113,465
Mr Phillip Hains <sup>6</sup>	20,000	180,000	–	–	200,000
	295,809	190,800	22,586	11,760	520,955
<b>2005</b>					
Ms Vanessa Waddell	154,785	5,000	12,685	7,014	179,484
Dr Emma Ball	85,406	–	8,541	12,620	106,567
Mr Phillip Hains	20,000	180,000	–	–	200,000
Mr Andrew Batty	42,777	–	2,750	–	45,527
	302,968	185,000	23,976	19,634	531,578

The service and performance criteria set to determine remuneration are included per Note (h).

## Note 6: Key Management Personnel Compensation (continued)

- The above Other fee represents a bonus earned by Mr Marcus Clark on the successful sale of Arthron IP to Trillium.
- The above Other fee represents a bonus earned by Mr Eugene Kopp on the successful sale of Arthron IP to Trillium.
- The above Other fee was paid to Dr George Mihaly for providing consulting services to SAP and TRC.
- The above Other fee represents a performance bonus earned by Ms Vanessa Waddell as well as a bonus earned on the successful sale of Arthron IP to Trillium.
- The above Equity represents 50,000 options that were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.
- The above Other fee was paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Phillip Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as CFO.

	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Exercise Price	Terms & Conditions for each Grant	
						First Exercise Date	Last Exercise Date
<b>d. Remuneration Options</b>							
<b>Options Granted As Remuneration</b>							
<b>Parent Entity Directors</b>							
Mr Marcus Clark	500,000	500,000	23 Nov 05	\$0.050	\$0.200	30 Nov 05	26 Feb 09
Mr Marcus Clark	–	500,000	23 Nov 05	\$0.040	\$0.300	30 Nov 06	26 Feb 09
Dr George Mihaly	500,000	500,000	23 Nov 05	\$0.050	\$0.200	30 Nov 05	26 Feb 09
Dr Richard Hammel	500,000	500,000	23 Nov 05	\$0.050	\$0.200	30 Nov 05	26 Feb 09
Dr John Sime	500,000	500,000	23 Nov 05	\$0.050	\$0.200	30 Nov 05	26 Feb 09
<b>Specified Executives</b>							
Ms Vanessa Waddell	167,000	167,000	04 Oct 05	\$0.040	\$0.200	04 Oct 05	26 Feb 09
Ms Vanessa Waddell	166,000	166,000	10 Feb 06	\$0.030	\$0.200	10 Feb 06	26 Feb 09
	2,333,000	2,833,000					

- On 4 October 2005, 167,000 unlisted share options were granted to Ms Vanessa Waddell at an exercise price of \$0.20 each. The options are exercisable on or before 26 February 2009. The options hold no voting or dividend rights and are not transferable.
- On 23 November 2005, 500,000 unlisted share options each were granted to Mr Marcus Clark, Dr George Mihaly, Dr Rick Hammel and Dr John Sime at an exercise price of \$0.20 each. The options are exercisable on or before 26 February 2009. The options hold no voting or dividend rights and are not transferable.
- On 23 November 2005, 500,000 unlisted share options were granted to Mr Marcus Clark at exercise price of \$0.30 each. The options are exercisable on or before 26 February 2009, voluntary escrowed until 30 November 2006. The options hold no voting or dividend rights and are not transferable.
- On 10 February 2006, 166,000 unlisted share options were granted to Ms Vanessa Waddell at an exercise price of \$0.20 each. The options are exercisable on or before 26 February 2009. The options hold no voting or dividend rights and are not transferable.

The service and performance criteria set to determine remuneration are included per Note (h).

### e. Shares Issued on Exercise of Remuneration Options

During the financial year there were no shares issued on exercise of remuneration options.

**Note 6: Key Management Personnel Compensation (continued)****f. Options and Rights Holdings**

Number of Options held by Parent Entity Directors &amp; Specified Executives

	Balance 1 Jul 05	Granted as Remuneration	Options Exercised	Net Change Other <sup>1</sup>	Balance 30 Jun 06	Total Vested 30 Jun 06	Total Exercisable 30 Jun 06	Total Unexercisable 30 Jun 06
<b>Directors</b>								
Mr Marcus Clark	1,533,334	1,000,000	–	(1,000,000)	1,533,334	1,033,334	1,033,334	500,000
Mr Eugene Kopp	5,783,334	–	–	–	5,783,334	5,283,334	5,283,334	500,000
Dr George Mihaly	–	500,000	–	–	500,000	500,000	500,000	–
Dr Richard Hammel	–	500,000	–	–	500,000	500,000	500,000	–
Dr John Sime	–	500,000	–	–	500,000	500,000	500,000	–
<b>Specified Executives</b>								
Ms Vanessa Waddell	778,334	333,000	–	(214,000)	897,334	897,334	897,334	–
Dr Emma Ball <sup>2</sup>	252,100	–	–	–	252,100	252,100	252,100	–
Mr Phillip Hains	100,000	–	–	(100,000)	–	–	–	–
Total	8,447,102	2,833,000	–	(1,314,000)	9,966,102	8,966,102	8,966,102	1,000,000

1. The net change other reflected above includes those options that have expired or been issued during the year under review, other than for remuneration, or traded on market.
2. 50,000 options were granted as a performance bonus to Dr Emma Ball but not issued as at 30 June 2006. The value of these options was \$100.

**g. Shareholdings**

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1 Jul 05	Received as Remuneration	Options Exercised	Net Change Other <sup>1</sup>	Balance 30 Jun 06
<b>Parent Entity Directors</b>					
Mr Marcus Clark	355,449	–	–	56,095	411,544
Mr Eugene Kopp	15,025,336	–	–	900,000	15,925,336
Dr George Mihaly	75,000	–	–	–	75,000
Dr Richard Hammel	–	–	–	–	–
Dr John Sime	–	–	–	100,000	100,000
<b>Specified Executives</b>					
Ms Vanessa Waddell	391,081	–	–	11,810	402,891
Dr Emma Ball	–	–	–	–	–
Mr Phillip Hains	56	–	–	191,801	191,857
Total	15,846,922	–	–	1,259,706	17,106,628

1. Net change other refers to shares issued for the year under review, other than for remuneration, or traded on market.

**h. Remuneration Practices**

The Company has a Remuneration Committee that administers the Company's remuneration policy.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or options may also be granted based on an individual's performance, with those granted to Directors subject to shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

**i. Option Valuation**

The unlisted options issued to Directors and Specified Executives for nil consideration during the period were valued based on the Black-Scholes model, adjusted for their escrow and unlisted nature. The inputs for this model and valuation are stated in note 19 (c).

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Note 7: Auditors' Remuneration</b>				
Remuneration of the auditor of the parent entity for:				
– Audit Fees	48,600	38,000	46,200	36,000
– Taxation Fees	–	24,230	–	24,230
– Other Fees	6,250	–	–	–
	54,850	62,230	46,200	60,230

	Economic Entity	
	2006	2005
	cents	cents

### Note 8: Loss per Share

Basic loss per share	(2.45)	(5.29)
Diluted loss per share	(2.45)	(5.29)

	2006	2005
	\$	\$

#### a. Net Loss

Net loss	(4,357,874)	(7,145,520)
Net profit attributable to outside equity interest	104,401	852,008
Earnings used in the calculation of basic Loss per share	(4,253,473)	(6,293,512)

#### b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic Loss per share

	173,830,582	118,966,718
--	-------------	-------------

Options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share.

The options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Note 9: Cash and Cash Equivalents</b>				
Cash at bank	230,503	202,885	58,888	68,896
Term deposits	2,980,846	7,330,117	2,980,846	7,330,117
	3,211,349	7,533,002	3,039,734	7,399,013

### Note 10: Trade and Other Receivables

#### Current

Goods and services tax	53,350	50,768	2,731	5,792
Other debtors	58,745	25,727	–	16,861
Amounts receivable from Related Party	–	–	258,822	46,180
	112,095	76,495	261,553	68,833

#### Non-current

Loan to Related Party	–	–	10,999,892	7,623,652
Provision for non-recovery of loan	–	–	(3,145,992)	(1,925,856)
	–	–	7,853,900	5,697,796

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Note 11: Other Financial Assets</b>					
<b>Non-current</b>					
Shares in unlisted corporations, at market value – unrelated	11a	3,249,120	–	–	–
Shares in controlled entities – unlisted		–	–	8,894,507	6,797,488
		3,249,120	–	8,894,507	6,797,488
<b>a. Market value of unlisted investments:</b>					
Trillium Therapeutics Inc.		3,249,120	–	–	–
		3,249,120	–	–	–

	Country of Incorporation	Percentage Owned (%)	
		2006	2005
<b>Note 12: Controlled Entities</b>			
<b>a. Controlled Entities</b>			
<b>Parent Entity</b>			
Prima Biomed Ltd			
<b>Subsidiaries of Prima Biomed Ltd</b>			
Arthron Pty Ltd	Australia	99.95%	85.00%
Cancer Vac Pty Ltd	Australia	100.00%	76.17%
Panvax Ltd	Australia	100.00%	85.00%
Oncomab Pty Ltd	Australia	100.00%	85.00%

**b. Controlled Entities Acquired**

On 12 July 2005, Biomira Inc. exercised its Put Option to take up equity in Prima. As a result Biomira converted its 10.39% equity in Cancer Vac to 2,594,034 Prima Shares.

On 24 August 2005, Prima announced that it had entered into a formal agreement with the ARI, through which the ARI transferred their shares in the Company's subsidiaries to Prima for a total of 13,919,618 shares in Prima. As a result the ARI transferred to Prima, its 6.99% equity in Arthron, its 13.44% equity in Cancer Vac, its 15% equity in Panvax and its 15% equity in Oncomab.

On 10 August 2005, the Company issued a Prospectus offering to acquire the remaining minority interests of the security holders in its subsidiaries. As a result 7.96% of equity in Arthron was converted to 2,654,640 Prima shares.

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Note 13: Plant and Equipment</b>				
Plant and equipment				
At cost	63,870	44,671	63,870	44,671
Accumulated depreciation	(37,568)	(29,991)	(37,568)	(29,991)
	26,302	14,680	26,302	14,680
Furniture and fittings				
At cost	74,922	74,923	63,427	63,427
Accumulated depreciation	(49,934)	(42,729)	(45,365)	(40,089)
	24,988	32,194	18,062	23,338
Total Plant and Equipment	51,290	46,874	44,364	38,018

## Note 13: Plant and Equipment (continued)

### a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment \$	Furniture and Fittings \$	Total \$
<b>2006</b>			
<b>Economic Entity</b>			
Balance at the beginning of year	14,680	32,193	46,873
Additions	19,199	–	19,199
Disposals	–	–	–
Depreciation expense	(7,577)	(7,205)	(14,782)
Carrying amount at the end of year	26,302	24,988	51,290
<b>Parent Entity</b>			
Balance at the beginning of year	14,680	23,338	38,018
Additions	19,199	–	19,199
Disposals	–	–	–
Depreciation expense	(7,577)	(5,276)	(12,853)
Carrying amount at the end of year	26,302	18,062	44,364
<b>2005</b>			
<b>Economic Entity</b>			
Balance at the beginning of year	13,160	47,700	60,860
Additions	8,687	–	8,687
Disposals	–	–	–
Depreciation expense	(7,167)	(15,507)	(22,674)
Carrying amount at the end of year	14,680	32,193	46,873
<b>Parent Entity</b>			
Balance at the beginning of year	13,160	36,915	50,075
Additions	8,687	–	8,687
Disposals	–	–	–
Depreciation expense	(7,167)	(13,577)	(20,744)
Carrying amount at the end of year	14,680	23,338	38,018

	Note	Economic Entity 2006 \$	Economic Entity 2005 \$	Parent Entity 2006 \$	Parent Entity 2005 \$
<b>Note 14: Deferred Tax Assets</b>					
Future income tax benefit	14a	–	–	–	–
a. Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 5b occur					
– timing differences		(94,032)	(37,989)	(64,533)	(79,456)
– tax losses:					
– operating losses		7,729,794	6,663,060	1,901,966	1,733,389
		7,635,762	6,625,071	1,837,433	1,653,933

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Note 15: Intangible Assets</b>					
Goodwill on acquisition of minority interests at cost		3,527,976	–	–	–
Reversal of losses previously borne by parent entity		(1,431,470)	–	–	–
Goodwill impairment		(2,096,506)	–	–	–
		–	–	–	–
Patents, trademarks and licences at cost		1,915,671	2,611,712	–	–
Accumulated amortisation		(346,164)	(443,432)	–	–
Provision for write-down of IP		(901,923)	(901,923)	–	–
		667,584	1,266,357	–	–
Total intangible assets		667,584	1,266,357	–	–
<b>Note 16: Other Assets</b>					
<b>Current</b>					
Prepayments		68,486	208,484	31,903	80,211
		68,486	208,484	31,903	80,211
<b>Note 17: Trade and Other Payables</b>					
<b>Current</b>					
Trade creditors		409,269	378,347	83,242	68,702
Sundry creditors and accrued expenses		565,723	346,887	314,079	152,735
		974,992	725,234	397,321	221,437
<b>Note 18: Provisions</b>					
<b>Current</b>					
Employee entitlements	18a	51,325	49,309	51,325	49,309
		51,325	49,309	51,325	49,309
<b>Non-current</b>					
Employee entitlements	18a	17,009	13,568	17,009	13,568
		17,009	13,568	17,009	13,568
<b>Aggregate Employee Benefits Liability</b>		68,334	62,877	68,334	62,877
<b>a. Movements in provisions:</b>					
<b>Annual Leave</b>					
Balance at start of year		49,309	35,901	49,309	35,901
Amounts taken as leave		(25,106)	(29,544)	(25,106)	(29,544)
Increase in provisions		27,122	42,952	27,122	42,952
Balance at end of year		51,325	49,309	51,325	49,309
<b>Long service leave</b>					
Balance at start of year		13,568	3,956	13,568	3,956
Amounts taken as leave		–	–	–	–
Increase in provisions		3,441	9,612	3,441	9,612
Balance at end of year		17,009	13,568	17,009	13,568
		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>b. Number of Employees at Year-end</b>		5	5	6	6

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
<b>Note 19: Issued Capital</b>					
Ordinary shares fully paid	19a	36,940,829	34,846,076	36,940,829	34,846,076
Options over shares	19b	200,877	69,217	200,877	69,217
		37,141,706	34,915,293	37,141,706	34,915,293

		2006		2005	
		No of shares	\$	No of shares	\$
<b>a. Movement in ordinary shares on issue</b>					
At the beginning of the reporting period		157,252,158	34,846,076	73,677,158	25,344,995
Shares issued during the year	19a(i)	19,378,377	2,114,679	83,425,000	10,017,375
Exercise of options	19a(ii)	–	–	150,000	30,000
Transaction costs relating to share issues		–	(19,926)	–	(546,294)
At reporting date		176,630,535	36,940,829	157,252,158	34,846,076

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) 2005	Details	Number	Issue Price	\$
15 December 2004	Private Placement	83,400,000	\$0.12	10,008,000
21 January 2005	Issue to Contractors	25,000	\$0.38	9,375
		83,425,000		10,017,375
2006	Details	Number	Issue Price	\$
12 July 2005	Issue to Biomira Inc.	2,594,034	\$0.110	285,344
04 August 2005	Private placement	190,476	\$0.110	20,952
24 August 2005	Issue to ARI	13,919,618	\$0.110	1,531,158
13 September 2005	Private placement	2,357,561	\$0.105	247,544
04 October 2005	Private placement	18,329	\$0.105	1,925
23 November 2005	Issue to Director	56,095	\$0.105	5,890
13 January 2006	Issue to Contractors	210,085	\$0.088	18,487
13 January 2006	Private placement	29,642	\$0.105	3,112
27 February 2006	Private placement	2,537	\$0.105	266
		19,378,377		2,114,679
(ii) 2005	Details	Number	Issue Price	\$
21 July 2004	Exercise of Options	150,000	\$0.20	30,000
		150,000		30,000

	Note	2006		2005	
		No of shares	\$	No of shares	\$
<b>Note 19: Issued Capital (continued)</b>					
<b>b. Movement in options on issue</b>					
At the beginning of the reporting period		50,780,155	69,217	18,571,000	–
Issued during the year	19b(i)	2,833,000	131,660	32,359,155	69,217
Exercised during the year	19b(ii)	–	–	(150,000)	–
Expired during the year	19b(iii)	(2,707,000)	–	–	–
At reporting date		50,906,155	200,877	50,780,155	69,217
<b>(i) 2005</b>					
	<b>Details</b>	<b>Number</b>	<b>Issue Price</b>		<b>\$</b>
17 August 2004	Issue to Employees	52,100	\$0.081		4,220
15 December 2004	Private Placement	27,800,055	\$0.000		–
15 December 2004	Issue to Contractors	3,140,000	\$0.000		–
15 December 2004	Issue to Director	500,000	\$0.054		26,833
15 December 2004	Issue to Director	500,000	\$0.046		22,750
04 February 2005	Issue to Employees	367,000	\$0.042		15,414
		32,359,155			69,217
<b>2006</b>					
	<b>Details</b>	<b>Number</b>	<b>Issue Price</b>		<b>\$</b>
04 October 2005	Issue of Employee	167,000	\$0.040		6,680
23 November 2005	Issue of Directors	2,000,000	\$0.050		100,000
23 November 2005	Issue of Director	500,000	\$0.040		20,000
10 February 2006	Issue of Employee	166,000	\$0.030		4,980
		2,833,000			131,660
<b>(ii) 2005</b>					
	<b>Details</b>	<b>Number</b>	<b>Issue Price</b>		<b>\$</b>
21 July 2004	Exercise of Options	150,000			–
		150,000			–
<b>(iii) 2006</b>					
	<b>Details</b>	<b>Number</b>	<b>Issue Price</b>		<b>\$</b>
30 April 2006	Options Expired	2,307,000			–
06 June 2006	Options Expired	400,000			–
		2,707,000			–

## Note 19: Issued Capital (continued)

### c. Valuation of unlisted options issued

Unlisted options issued during the period for nil consideration were valued based on the Black-Scholes valuation model, adjusted for their escrow and unlisted nature. The inputs for this model are as stated below.

Implied volatility was calculated taking into consideration the historical volatility of the Company's share price in the six months prior to the issue of the options.

Issue date	A	B	C	D
	04-Oct-05	23-Nov-05	23-Nov-05	10-Feb-06
Share price	\$0.10	\$0.11	\$0.11	\$0.09
Exercise price	\$0.20	\$0.20	\$0.30	\$0.20
Implied volatility	67%	76%	76%	77%
Option life	4.00	4.00	4.00	3.17
Expected dividends	0.00	0.00	0.00	0.00
Risk-free interest rate	5.34	5.22	5.22	5.06
Escrow period	0.00	0.00	1.00	0.00
Adjustment for escrow	0%	0%	0%	0%
Adjustment for unlisted nature	0%	0%	0%	0%

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$

## Note 20: Capital and Leasing Commitments

### a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable

– not later than 1 year

– later than 1 year but not later than 5 years

– later than 5 years

	45,854	50,641	45,854	50,641
	–	45,854	–	45,854
	–	–	–	–
	45,854	96,495	45,854	96,495

The property lease is a non-cancellable lease with a two-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by a fixed amount of 4% per annum. An option exists to renew the lease at the end of the two-year term for an additional term of two years. The lease allows for sub-letting of all lease areas subject to conditions.

### b. Other

The CFO Solution provides administrative support at a rate of \$15,000 per month plus GST. This commitment may be terminated with 3 months notice from either party.

## Note 21: Contingent Liabilities and Contingent Assets

There are no material amounts of contingent assets or liabilities not provided in the financial report.

Prima Biomed Ltd has a bank guarantee with the National Australia Bank to the value of \$17,900 in relation to the lease of their premises in Kew.

	<b>Cancer Immuno- Therapy 2006 \$</b>	<b>Anti- Inflammatory 2006 \$</b>	<b>Drug Delivery Systems 2006 \$</b>	<b>Therapeutic Antibodies for Cancer 2006 \$</b>	<b>Eliminations 2006 \$</b>	<b>Economic Entity 2006 \$</b>
<b>Note 22: Segment Reporting</b>						
<b>a. Primary Reporting – Business Segments</b>						
<b>Revenue</b>						
External Sales	1,832	3,500,906	122,958	33	–	3,625,729
Unallocated revenue						251,181
Total Revenue						3,876,910
<b>Result</b>						
Segment result	(1,973,965)	2,584,620	(1,167,813)	(309,252)	1,351,641	485,231
Unallocated Revenue						251,181
Unallocated Expense						(5,094,286)
Net loss						(4,357,874)
<b>Assets</b>						
Segment assets	483,783	3,408,649	86,523	262,237	–	4,241,192
Unallocated assets						3,118,732
Total assets						7,359,924
<b>Liabilities</b>						
Segment liabilities	5,528,071	2,018,237	3,378,127	911,949	(11,258,713)	577,671
Unallocated liabilities						465,655
Total liabilities						1,043,326
<b>Other</b>						
Depreciation & amortisation of segment assets	26,119	14,500	1,594	16,152	12,853	71,218

	Cancer Immuno- Therapy 2005 \$	Anti- Inflammatory 2005 \$	Drug Delivery Systems 2005 \$	Therapeutic Antibodies for Cancer 2005 \$	Eliminations 2005 \$	Economic Entity 2005 \$
<b>Note 22: Segment Reporting (continued)</b>						
<b>Revenue</b>						
External Sales	3,492	504,638	280,370	134	–	788,634
Unallocated revenue						279,752
Total Revenue						1,068,386
<b>Result</b>						
Segment result	(1,573,336)	(505,789)	(2,344,388)	(330,749)	496,372	(4,257,890)
Unallocated revenue						279,752
Unallocated expense						(3,167,382)
Net loss						(7,145,520)
<b>Assets</b>						
Segment assets	548,055	686,932	69,325	287,004	–	1,591,316
Unallocated assets						7,539,896
Total assets						9,131,212
<b>Liabilities</b>						
Segment liabilities	3,377,080	1,742,878	2,046,643	585,518	(7,248,322)	503,797
Unallocated liabilities						284,314
Total liabilities						788,111
<b>Other</b>						
Depreciation & amortisation of segment assets	26,119	34,800	55,440	16,152	20,745	153,256

**b. Secondary Reporting – Geographical Segments**

The economic entity operated in one geographical location, being Australia in financial years 2005 & 2006.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Note 23: Cash Flow Information</b>				
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>				
Loss after income tax	(4,253,473)	(6,293,512)	(2,363,152)	(3,103,490)
Non-cash movements				
– Add back depreciation expense	14,782	22,673	12,853	20,744
– Add back amortisation expense	210,139	130,582	–	–
– Losses borne by parent entity	105,470	792,112	–	–
– Outside equity interest	(104,401)	(852,008)	–	–
– Equity issued for nil consideration	149,318	78,592	149,318	78,592
– Provision for writedown of IP	–	901,923	–	–
– Provision for non-recovery of loan	–	–	1,073,664	1,925,856
– Interest on intercompany loans	–	–	(686,384)	(421,507)
– Add back goodwill impairment	2,096,506	–	–	–
– Sale of intellectual property	(3,632,719)	–	–	–
Changes in assets and liabilities				
– (Increases)/Decreases in Trade and Other Receivables	(35,600)	526,867	(192,720)	(10,955)
– (Increases)/Decreases in Other Current Assets	143,121	36,780	48,308	(60,398)
– Increases/(Decreases) in Trade and Other Payables	249,758	(101,818)	175,884	69,289
– Increases/(Decreases) in Provisions	5,457	23,020	5,457	23,020
Cash flows from operations	(5,051,642)	(4,734,789)	(1,776,772)	(1,478,849)

**Note 24: Events Subsequent to Reporting Date**

On 12 September 2006, the Company announced its intention to raise a minimum of \$1 million and up to a maximum of \$3.5 million through a share purchase plan (SPP). An amount of up to \$1 million has been fully underwritten by stock broking firm Taylor Collison Limited. Shareholders registered as of 12 September 2006 (the record date) will be eligible to apply for a minimum of \$2,000 and a maximum of \$5,000 of ordinary shares at \$0.063 per share, which represents a 7.5% discount to a 30 day weighted average market price.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Note 25: Related Party Transactions</b>				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
<b>a. Other Related Parties</b>				
Loans to Subsidiary Companies	–	–	7,853,900	5,697,796
Prima Biomed Ltd charged Arthron Pty Ltd a 5% success fee in regard to the sale of Arthron intellectual property to Trillium	–	–	201,267	–
Interest charged on loans to subsidiaries	–	–	686,384	421,507

**b. Director-related Entities**

ProPharma International Partnership Inc, a firm associated with Mr Hammel received AUD\$115,356 (2005: AUD\$98,358) in consulting fees from Prima Biomed Ltd, AUD\$15,359 (2005: Nil) from Arthron Pty Ltd, \$AUD3,117 (2005: Nil) from Cancer Vac Pty Ltd and AUD\$1,011 (2005: AUD\$3,574) from Panvax Ltd.

Dr Mihaly is also a director of Prana Biotechnology Ltd. Prana Biotechnology Ltd engaged Panvax Ltd, a subsidiary of Prima Biomed Ltd to provide R&D services to the value of \$86,738 in the financial year ended 30 June 2006 (2005: \$182,655).

## Note 26: Financial Instruments

### a. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's 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, is as follows:

	Weighted Average Interest Rate \$ 2006	Floating Interest Rate \$ 2006	Fixed Interest 1 year or less \$ 2006	Maturing in 1-5 years \$ 2006	Non-Interest Bearing \$ 2006	Total \$ 2006
<b>Financial Assets</b>						
Cash	4.73%	3,211,349	–	–	–	3,211,349
Receivables		–	–	–	112,095	112,095
Prepayments		–	–	–	68,486	68,486
Other Financial Assets		–	–	–	3,249,120	3,249,120
Total Financial Assets		3,211,349	–	–	3,429,701	6,641,050
<b>Financial Liabilities</b>						
Payables		–	–	–	974,992	974,992
Provisions		–	–	–	68,334	68,334
Total Financial Liabilities		–	–	–	1,043,326	1,043,326
	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Financial Assets</b>						
Cash	5.10%	7,533,002	–	–	–	7,533,002
Receivables		–	–	–	76,495	76,495
Prepayments		–	–	–	208,484	208,484
Total Financial Assets		7,533,002	–	–	284,979	7,817,981
<b>Financial Liabilities</b>						
Payables		–	–	–	725,234	725,234
Provisions		–	–	–	62,877	62,877
Total Financial Liabilities		–	–	–	788,111	788,111

### b. Credit Risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets is the carrying amount net of any provision for doubtful debts.

### c. Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

The net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

## Note 27: Company Details

The registered office of the Company is: Suite 1, 1233 High Street Armadale Victoria 3143 Australia.

The principal place of business is: Unit 7, 79-83 High Street Kew Victoria 3101 Australia.

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 55 are in accordance with the Corporations Act 2001:

- (a) comply with Accounting Standards and the Corporations Regulations 2001; and
- (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company and economic entity.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

- (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

- (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

- (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Marcus Clark**

Chief Executive Officer & Executive Director

Dated this 28th day of September 2006

# Independent Auditor's Report to the Members

## Scope

### The financial report and directors' responsibility

We have audited the financial report of Prima BioMed Limited ("the company") and its controlled entities for the financial year ended 30 June 2006 as set out on pages 26 to 56.

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the company and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

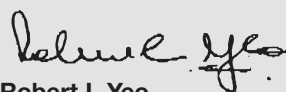
## Audit Opinion

In our opinion, the financial report of the company is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



**Hall Chadwick**  
Chartered Accountants



**Robert L Yeo**  
Partner

Melbourne, 28 September 2006

# Shareholder Information

As at 22 September 2006

## Number of holders of Equity Securities

### Ordinary Shares (ASX Code PRR)

- 164,246,452 fully paid ordinary shares are held by 2,265 individual shareholders.
- 6,959,809 fully paid ordinary shares escrowed until 24 August 2007, held by 1 individual shareholder.
- 5,424,274 fully paid ordinary shares escrowed until 27 October 2006, held by 3 individual shareholders.

All ordinary shares carry one vote per share.

### Options

- 3,140,000 (ASX Code PRRAB) options exercisable @ \$0.20 on or before 30/11/06 are held by 1 individual shareholder.
- 27,800,055 (ASX Code PRRO) options exercisable @ \$0.20 on or before 30/11/06 are held by 152 individual shareholders.
- 1,000,000 (ASX Code PRRAI) options exercisable @ \$0.40 on or before 26/2/07 are held by 1 individual shareholder.
- 1,000,000 (ASX Code PRRAI) options exercisable @ \$0.60 on or before 26/2/07 are held by 1 individual shareholder.
- 5,200,000 (ASX Code PRRAY) options exercisable @ \$0.20 on or before 26/02/09 are held by 8 individual shareholders.
- 1,000,000 (ASX Code PRRAC) options exercisable @ \$0.30 on or before 26/02/09 are held by 2 individual shareholders.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

## Distribution of holders in each class of Equity Securities

	Fully paid ordinary shares (ASX Code PRR)
1-1,000	195
1,001-5,000	578
5,001-10,000	412
10,001-100,000	848
100,001 and over	236

Total number of shareholders	2,269
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Unmarketable parcels	975
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	Listed options (ASX Code PRRO)
1-1,000	0
1,001-5,000	3
5,001-10,000	18
10,001-100,000	84
100,001 and over	47

Total number of shareholders	152
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## Twenty largest holders of quoted Securities

Shareholder	Fully paid ordinary shares (ASX Code PRR)	
	Number	%
1. Bluscan Pty Ltd	14,872,002	8.42%
2. The Austin Research Institute	14,419,618	8.16%
3. Queensland Investment Corp	13,099,090	7.42%
4. Biotech Capital Ltd	7,700,000	4.36%
5. ANZ Nominees Ltd	4,498,394	2.55%
6. AMN Nominees Pty Ltd	2,725,766	1.54%
7. Trusray Pty Ltd	2,600,000	1.47%
8. Biomira Inc	2,594,034	1.47%
9. Peregrine Corporate Ltd	2,450,808	1.39%
10. Lost Ark Nominees Pty Ltd	1,800,334	1.02%
11. Jagen Nominees Pty Ltd	1,750,000	0.99%
12. Masali Pty Ltd	1,750,000	0.99%
13. Goh Geok Khim	1,500,000	0.85%
14. Lai Basil	1,477,100	0.84%
15. Diskdew Pty Ltd	1,350,000	0.76%
16. CIMB-GK Securities Pte Ltd	1,273,764	0.72%
17. Challand Pty Ltd	1,250,000	0.71%
18. Clark Karen Georgina	1,200,000	0.68%
19. Nelcan Pty Ltd	1,125,000	0.64%
20. Tingel Pty Ltd	1,100,000	0.62%
	80,535,910	45.60%

## Twenty largest holders of quoted Securities (continued)

Listed Options	Options exercisable (ASX Code PRRO)	
	Number	%
1. Bluscan Pty Ltd	4,483,334	16.13%
2. Biotech Capital Ltd	1,900,000	6.83%
3. Richards Paul Thomas	1,733,333	6.23%
4. Queensland Investment Corp	1,366,667	4.92%
5. Lost Ark Nominees Pty Ltd	1,305,813	4.70%
6. Symons David Peter Neil	1,294,581	4.66%
7. Goffacan Pty Ltd	1,000,000	3.60%
8. Shandanre Pty Ltd	780,045	2.81%
9. Droga Capital Pty Ltd	648,840	2.33%
10. Pascuzzi Juana	640,004	2.30%
11. Fallis Kevin Edward	550,000	1.98%
12. Clancy Edward Anthony	521,176	1.87%
13. Kefu Underwriters Pty Ltd	500,000	1.80%
14. Muschol Emily Kate	500,000	1.80%
15. Svenson Shane Thomas	370,000	1.33%
16. Tricom Nominees Pty Ltd	333,333	1.20%
17. Ruminator Pty Ltd	300,001	1.08%
18. Pebor Nominees	300,000	1.08%
19. Giovas Catherine	300,000	1.08%
20. Ruvinsky Kiril	300,000	1.08%
	19,127,127	68.81%

## Unquoted equity securities holdings greater than 20%

The Austin Research Institute holds 4,000,000 unlisted options which represents 35.27% of a total of 11,340,000 unlisted options.

Lost Ark Nominees Pty Ltd holds 3,140,000 unlisted options which represents 27.69% of a total of 11,340,000 unlisted options.

## Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Bluscan Pty Ltd	13,450,000 ordinary shares
The Austin Research Institute	14,419,618 ordinary shares
Queensland Investment Corp	13,099,090 ordinary shares

## Shareholder enquiries

Shareholders with enquiries about their shareholders should contact the share registry:

Security Transfer Registrars  
770 Canning Highway Applecross  
Western Australia 6153 Australia  
Telephone (61 8) 9315 2333  
Facsimile (61 8) 9315 2233  
Email registrar@securitytransfer.com.au

## Change of address, change of name, consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

## Removal from the annual report mailing list

Shareholders who do not wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

## Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

## CHES (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange CHES system should contact their stockbroker.

## Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

# Corporate Directory

## Directors

Mr Marcus Clark  
Mr Eugene Kopp  
Dr George Mihaly  
Dr Richard Hammel  
Dr John Sime

## Company Secretary

Mr Phillip Hains

## Registered Office

Suite 1, 1233 High Street Armadale  
Victoria 3143 Australia

## Principal place of Business

Unit 7, 79-83 High Street Kew  
Victoria 3101 Australia

## Auditors

Hall Chadwick Chartered Accountants  
Level 12, 459 Collins Street Melbourne  
Victoria 3000 Australia

## Solicitors

Oakley Thompson & Co  
Level 19, 500 Collins Street Melbourne  
Victoria 3000 Australia

## Share Registry

Security Transfer Registrars  
770 Canning Highway Applecross  
Western Australia 6153 Australia  
Telephone (08) 9315 0933  
Facsimile (08) 9315 2233  
Email registrar@securitytransfer.com.au

## Securities Quoted

Code: PRR Shares  
PRRO Options expiring 30 November 2006,  
exercisable @ \$0.20

## Website

[www.primabiomed.com.au](http://www.primabiomed.com.au)

# Creating immunotherapies, fighting disease



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