

## **VIRALYTICS LTD**

ABN 12 010 657 351

### **APPENDIX 4D**

#### Half Year Report

For the 6 months ended 31 December 2014 (current period)  
and the previous corresponding period 6 months ended 31 December 2013

#### **Results for announcement to the market**

			\$A'000
Revenue from ordinary activities	Up 224%	to	271
(Loss) from ordinary activities after tax attributable to members	Down 39%	to	(2,449)
(Loss) for the period attributable to members	Down 39%	to	(2,449)
	Current Period	Previous Corresponding Period	
Net tangible asset backing per ordinary security	13.2 cents	2.9 cents	
Basic (Loss) cents per share	(1.3 cents)	(4.6 cents)	

An explanation of the result of the current period and full financial details, are set out in the attached Directors' Report and Financial Report.

Dividends: it is not proposed that any dividends will be paid. No dividends were paid in the previous corresponding period.

# Viralytics Limited

ABN 12 010 657 351

## **HALF-YEAR FINANCIAL REPORT**

**31 DECEMBER 2014**

## Corporate Information

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### Directors

Mr Paul Hopper	Chairman
Dr Leonard Post	Non-Executive Director
Mr Peter Turvey	Non-Executive Director
Dr Malcolm McColl	Managing Director and Chief Executive

### Company Secretary

Ms Sarah Prince

### Chief Financial Officer

Mr Robert Vickery

### Principal Place of Business

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### Registered Office

c/- Company Matters  
Level 12, 680 George Street  
Sydney, NSW 2000

### Auditors

Grant Thornton Audit Pty Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000

### Share Registry & Register

Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000  
Ph: (02) 8280 7454

## Directors' Report

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Your directors submit the financial report of the Company for the half-year ended 31 December 2014.

### DIRECTORS

The names of directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Paul Hopper	Chairman
Dr Leonard Post	Non-Executive Director
Mr Peter Turvey	Non-Executive Director (appointed 8 September 2014)
Dr Malcolm McColl	Managing Director (appointed Director 8 September 2014) and Chief Executive
Dr Phillip Altman	Non-Executive Director (resigned 8 September 2014)
Mr Peter Molloy	Non-Executive Director (resigned 8 September 2014)

### RESULTS AND DIVIDENDS

The loss after tax of the Company for the half-year was \$2.4m (comparative half-year: loss of \$4.0m). The decrease in loss was due largely to an unrealised foreign exchange gain of \$1.2 million (2013 – nil) and increased interest income.

No dividend was proposed or paid.

### CASH MANAGEMENT AND FUNDING

The Company's cash on hand increased in the 6 months to 31 December 2014 by \$1 million to \$25.3 million. This was due in part to an unrealised foreign exchange gain of \$1.2 million for the period.

Operating cash outflow for the period was \$0.2 million compared to \$1.8 million in the prior corresponding period (6 months to 31 December 2013). \$2.5m was received from the Research and Development Tax Incentive refund (2013 - \$1.9m) and \$0.3 million interest was received (2013 - \$0.08 million). Payments to suppliers and employees was down by \$0.8 million compared to December 2013.

### REVIEW OF OPERATIONS

Viralytics continues to make strong clinical progress with its lead product candidate, CAVATAK™, a novel cancer immunotherapy based on a proprietary cold virus that has been shown to preferentially infect and attack cancer cells. Cancer immunotherapy is one of the most active fields in cancer research and drug development today, and our broad clinical program is designed to explore CAVATAK's potential as both a monotherapy and in combination with other new or existing therapies.

## Directors' Report

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### CLINICAL TRIALS

#### Phase 2 CALM Melanoma Clinical Trial

Viralytics is conducting a Phase 2 clinical trial of CAVATAK administered by injection into the tumours of patients with Late stage Melanoma (the CALM study) at 11 leading cancer research centres in the USA. In September 2014, the Company presented updated positive data from this trial, including a 12-month survival rate of 73%, median time to response of 2.8 months, and an overall response rate of 28%.

In addition, 39% of patients achieved the immune-related progression free survival (irPFS) endpoint at six months after the first dose of CAVATAK, significantly exceeding the initial target endpoint of 18.5%.

These results were achieved in late-stage and seriously ill patients. CAVATAK was well tolerated, with no reports to date of any drug-related serious adverse events or any grade 3 or 4 adverse events, and the majority of side effects being reported as grade 1.

Throughout the trial, CAVATAK has demonstrated activity in both injected tumours and non-injected tumours, including local and distant lymph nodes, lungs and other distant sites, suggesting an anti-tumour immune response. To enable a deeper understanding of the role of CAVATAK in triggering an immune response against cancer cells, the Company is conducting an extension to the CALM trial, in which biopsies taken from tumours prior to and after CAVATAK administration are being assessed.

#### Phase 1/2 STORM Solid Tumour Cancer Clinical Trial

In March 2014, a Phase 1/2 clinical trial of CAVATAK administered in multiple intravenous doses for the Systemic Treatment Of Resistant Malignancies (the STORM study) was initiated at three leading cancer centres in the UK.

The 30-patient study is designed to assess the multi-intravenous dosing of CAVATAK in patients with some of the most common solid cancer types, including advanced melanoma, prostate, lung, or metastatic bladder cancer. The intravenous delivery of CAVATAK has the potential to broaden significantly the commercial impact of the agent while benefitting many more cancer patients.

The STORM trial has now progressed through the first two cohorts, with administration of CAVATAK to six patients. The Company is now enrolling the third cohort and aims to provide preliminary results in the first half of 2015.

## Directors' Report

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### **Phase 1 CANON Bladder Cancer Clinical Trial**

In January 2015, the Company announced the commencement of a Phase 1 clinical trial of CAVATAK in patients with NON-muscle invasive bladder cancer (the CANON study) at the University of Surrey in the UK.

The Phase 1 trial is a two-part, open-label, dose-escalation study designed to evaluate the safety and tolerability of CAVATAK administered alone, as well as in combination with the standard chemotherapy, mitomycin C, in patients with non-muscle invasive bladder cancer, also known as superficial bladder cancer. Investigators will also examine the pharmacodynamics of CAVATAK as well as document evidence of anti-tumour activity.

Bladder cancer is the sixth most common cancer type in the USA, and there is a substantial unmet need for less toxic, more effective agents for its treatment. In preclinical studies, the combination of CAVATAK and mitomycin C synergistically enhanced the cancer-killing activity in bladder cancer cell lines.

### **Phase 1b Checkpoint Inhibitor Combination Clinical Trial**

In December 2014, the Company gained approval from the Institutional Review Board of the Providence Cancer Centre in Portland, Oregon, to commence a Phase 1b clinical trial to assess CAVATAK in combination with Yervoy<sup>®1</sup> (ipilimumab), a top-selling immune checkpoint inhibitor. The trial, entitled MITCI (Melanoma IntraTumoral Cavatak and Ipilimumab) in late-stage melanoma patients, is forecast to commence in Q1 2015.

The company-sponsored Phase 1b open label study is designed to evaluate the safety and tolerability of the established dose of CAVATAK in combination with Yervoy in 26 patients with late-stage melanoma for whom Yervoy would be considered the standard of care. Investigators will also assess evidence of anti-cancer activity, including response rates and bio-markers of anti-tumour immunity.

Preclinical evidence suggests that CAVATAK in combination with Yervoy may lead to an enhanced anti-tumour immune response compared to the efficacy of either agent alone. Subject to satisfactory results from the Phase 1b study, the Company plans to proceed with a randomized Phase 2 clinical trial of this combination.

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<sup>1</sup> Yervoy<sup>®</sup> is a trademark of the Bristol-Myers Squibb company

## Directors' Report

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### INTELLECTUAL PROPERTY

The Company continues to develop and strengthen its Intellectual Property portfolio whilst maintaining a focus on cost and relevance to its strategic goals. New intellectual property is being developed and existing patent claims are continually being pursued through various International jurisdictions.

### BOARD CHANGES

In September the company announced the resignations of Mr Peter Molloy and Dr Phil Altman from its board of directors, and the appointment of former CSL executive Peter Turvey and CEO Dr Malcolm McColl.

Mr Turvey has over 30 years' experience in the biotechnology sector, 20 of which were spent at CSL Ltd in various roles, including group general counsel and executive vice president, licensing. He is a principal of science and technology advisory services firm Foursight Associates Pty Ltd, and is a non-executive director of Starpharma Holdings Ltd, Admedus Ltd, and Agriculture Victoria Services Pty Ltd.

In his time with CSL, Mr Turvey was integral to the company transforming from a government owned organisation to a multi-billion dollar global biopharmaceutical company being heavily involved in the acquisitions and divestments of businesses over the period. He was responsible for licensing and the protection of the company's intellectual property as well as corporate risk management.

### AUDITOR'S INDEPENDENCE DECLARATION

A statement of independence has been provided by our auditors, Grant Thornton and is included at page 6.

This report is signed in accordance with a resolution of the Board of Directors.



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Mr. Paul Hopper  
Chairman  
Sydney  
Dated: 17 February 2015

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### **Auditor's Independence Declaration To The Directors of Viralytics Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Viralytics Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



N.J. Bradley  
Partner - Audit & Assurance

Sydney, 17 February 2015

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# Condensed Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2014

	<b>December 2014 \$</b>	<b>December 2013 \$</b>
Interest Income from third parties	271,031	78,763
R&D Tax Refund	-	4,995
Unrealised foreign exchange gain	1,170,200	-
<b>Total Income</b>	<b>1,441,231</b>	<b>83,758</b>
Research and development costs:		
Clinical trials	(1,260,405)	(1,572,271)
Research and development	(903,275)	(1,026,735)
Drug product	(337,830)	(32,363)
Patents and related costs	(91,937)	(71,987)
Amortisation of intangibles	(195,156)	(195,156)
Depreciation expense	(16,297)	(13,573)
Employee costs	(467,714)	(461,556)
Option share based expense	(78,106)	(146,213)
Corporate compliance costs	(334,233)	(285,061)
Administration costs	(205,593)	(228,374)
Foreign currency translation loss	-	(39,814)
<b>Total Expenses</b>	<b>(3,890,546)</b>	<b>(4,073,103)</b>
<b>(Loss) from ordinary activities before income tax</b>	<b>(2,449,315)</b>	<b>(3,989,345)</b>
Income tax expense	-	-
<b>(Loss) from ordinary activities after income tax</b>	<b>(2,449,315)</b>	<b>(3,989,345)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>(2,449,315)</b>	<b>(3,989,345)</b>
Basic earnings/(loss) per share (cents per share)	(1.3 cents)	(4.6 cents)
Diluted earnings/(loss) per share (cents per share)	(1.3 cents)	(4.6 cents)

The accompanying notes form part of these financial statements.

## Condensed Statement of Financial Position

as at 31 December 2014

		<b>December 2014</b>	<b>June 2014</b>
<b>ASSETS</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		25,270,470	24,335,695
Trade and other receivables	3	357,620	2,784,428
<b>Total Current Assets</b>		<b>25,628,090</b>	<b>27,120,123</b>
<b>Non-Current Assets</b>			
Other assets		51,153	51,153
Plant and equipment	4	71,420	47,963
Financial assets	5	-	-
Intangible assets	6	2,228,932	2,424,088
<b>Total Non-Current Assets</b>		<b>2,351,505</b>	<b>2,523,204</b>
<b>TOTAL ASSETS</b>		<b>27,979,595</b>	<b>29,643,327</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	1,474,262	766,785
<b>Total Current Liabilities</b>		<b>1,474,262</b>	<b>766,785</b>
<b>TOTAL LIABILITIES</b>		<b>1,474,262</b>	<b>766,785</b>
<b>NET ASSETS</b>		<b>26,505,333</b>	<b>28,876,542</b>
<b>EQUITY</b>			
Issued capital	8	86,980,230	86,959,988
Convertible Notes – Equity Component		595,640	595,640
Reserves		3,314,507	3,256,643
Accumulated losses		(64,385,044)	(61,935,729)
<b>TOTAL EQUITY</b>		<b>26,505,333</b>	<b>28,876,542</b>

The accompanying notes form part of these financial statements.

## Condensed Statement of Changes in Equity

for the half-year ended 31 December 2014

	Share Capital		Retained Earnings (Accumulated Losses)	Reserves	Total
	Ordinary	Convertible note		Option Reserve	
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	61,779,761	595,640	(56,407,100)	3,009,584	8,977,885
Loss for the Period	-	-	(3,989,345)	-	(3,989,345)
Other Comprehensive Income	-	-	-	-	-
Comprehensive income for the period	-	-	(3,989,345)	-	(3,989,345)
Share option based compensation	-	-	-	146,213	146,213
Total transactions with owners and other transfers	-	-	-	146,213	146,213
<b>Balance at 31 December 2013</b>	<b>61,779,761</b>	<b>595,640</b>	<b>(60,396,445)</b>	<b>3,155,797</b>	<b>5,134,753</b>

The accompanying notes form part of these financial statements.

## Condensed Statement of Changes in Equity

for the half-year ended 31 December 2014

	Share Capital		Retained Earnings (Accumulated Losses)	Reserves	Total
	Ordinary	Convertible note		Option Reserve	
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	86,959,988	595,640	(61,935,729)	3,256,643	28,876,542
Loss for the Period	-	-	(2,449,315)	-	(2,449,315)
Other Comprehensive Income	-	-	-	-	-
Comprehensive income for the period	-	-	(2,449,315)	-	(2,449,315)
Share Rights Converted to Shares	20,242	-	-	(20,242)	-
Share option based compensation	-	-	-	78,106	78,106
Total transactions with owners and other transfers	20,242	-	-	57,864	78,106
<b>Balance at 31 December 2014</b>	<b>86,980,230</b>	<b>595,640</b>	<b>(64,385,044)</b>	<b>3,314,507</b>	<b>26,505,333</b>

The accompanying notes form part of these financial statements.

## Condensed Statement of Cash Flow

for the half-year ended 31 December 2014

	<b>December 2014 \$</b>	<b>December 2013 \$</b>
<b>Cash flows from Operating Activities</b>		
R & D Tax Refund	2,476,255	1,903,061
Payments to suppliers and employees	(2,955,135)	(3,775,199)
Interest Received	270,080	88,695
<b>Net cash (used in) operating activities</b>	<b>(208,800)</b>	<b>(1,783,443)</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Plant and equipment	(39,754)	(8,100)
<b>Net cash (used in) investing activities</b>	<b>(39,754)</b>	<b>(8,100)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(248,554)</b>	<b>(1,791,543)</b>
Net Foreign Exchange Difference	1,183,329	-
Cash at beginning of the financial period	24,335,695	5,078,859
<b>Cash at the end of the financial period</b>	<b>25,270,470</b>	<b>3,287,316</b>

The accompanying notes form part of these financial statements

# Notes to the financial statements

for the half-year ended 31 December 2014

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## 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report is a general-purpose interim financial report that has been prepared in accordance with Australian Accounting Standard AASB134; 'Interim Financial Reporting', other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The half-year report does not include full disclosure of the type normally included in an annual financial report. The half-year financial report should be read in conjunction with the Annual Financial Report of Viralytics Limited (the Company) as at 30 June 2014. It is recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Except as described below, the accounting policies applied by the Company in this half-year financial report are the same as those applied by the Company in the financial report as at and for the year ended 30 June 2014.

### Going Concern

The financial statements for the period ended 31 December 2014 are prepared on a going concern basis. Notwithstanding that the Company has a history of losses, the Directors consider that it has sufficient capital to pursue its strategic plan and objectives in the next twelve months as laid out in the Directors Report.

This is because the Company has cash assets of \$25.3 million at 31 December 2014 which it forecasts will fund its programmes beyond 12 months from the signing of this report. The cash holdings will provide sufficient funding to meet foreseeable expenditure commitments and pay debts as and when they fall due.

### Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## Notes to the financial statements

for the half-year ended 31 December 2014

### 2. Operating Segments

The entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and determining the allocation of resources. The entity operates in one segment being Development of Oncolytic Therapeutics. The information reported to the CODM, on a monthly basis, is profit or loss before interest, tax, depreciation and amortisation and other one-off-items ('EBITDA') as well as cash flow.

	<b>December 2014 \$</b>	<b>June 2014 \$</b>
<b>3. RECEIVABLES – CURRENT</b>		
GST Receivable	81,199	90,285
Prepayments	214,663	135,715
Interest Receivable	61,758	60,811
R&D Tax Refund	-	2,497,617
	<b>357,620</b>	<b>2,784,428</b>

### 4. PLANT AND EQUIPMENT

Plant and Equipment at cost	901,866	862,112
Accumulated depreciation	(830,446)	(814,149)
	<b>71,420</b>	<b>47,963</b>

#### Movements in Carrying Amounts

Movements in the carrying amounts at the beginning and end of the current and previous period:

Balance at beginning of period	47,963	68,054
Additions	39,754	7,876
Depreciation expense	(16,297)	(27,967)
<b>Balance at end of period</b>	<b>71,420</b>	<b>47,963</b>

## Notes to the financial statements

for the half-year ended 31 December 2014

	December 2014 \$	June 2014 \$
<b>5. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES</b>		
InJet Digital Aerosols Limited – unlisted (IDAL)	-	-

IDAL is an unlisted Australian public company. Viralytics Ltd has an investment in IDAL of \$630,000. This represents 44.5% of that company's issued capital as at 31 December 2014. Viralytics Ltd has recognised the losses attributable to the associate in prior years to the extent of the investment. The most recent financial statements released by IDAL were for the year ended 30 June 2014. The net deficiency in assets was \$488,517. Consequently, the carrying value of the investment is nil.

### 6. INTANGIBLE ASSETS

Virotherapy Intellectual Property	8,605,532	8,605,532
Accumulated Amortisation	(6,376,600)	(6,181,444)
	<b>2,228,932</b>	<b>2,424,088</b>

#### Movement in Intangibles

Opening balance at beginning of period	2,424,088	2,814,398
Additions	-	-
Amortisation for the period	(195,156)	(390,312)
Net carrying value at end of period	2,228,932	2,424,086

### 7. TRADE AND OTHER PAYABLES

Trade payables	826,562	457,050
Sundry payables and accrued expenses	580,996	263,294
Employee entitlements – annual leave	66,704	46,441
	<b>1,474,262</b>	<b>766,785</b>



## Notes to the financial statements

for the half-year ended 31 December 2014

### 8. ISSUED CAPITAL

	Number of shares on issue	December 2014 \$
Ordinary Shares – Issued and fully paid	184,028,081	86,980,230
Movements in ordinary shares on issue		
At 1 July 2014	183,958,281	89,959,988
Movements during the period	69,800	20,242
At 31 December 2014	184,028,081	86,980,230
	December 2014	June 2014
<b>Options – Number on issue</b>		
Unlisted options	6,270,000	5,025,000
Movements in Options:		
Balance at the beginning of the period	5,025,000	5,825,000
Options issued	1,245,000	-
Options lapsed	-	(800,000)
Balance at end of period	6,270,000	5,025,000
<b>Share Rights – Number on issue</b>		
Unlisted Share Rights	320,000	69,800
Movements in Share Rights:		
Balance at the beginning of the period	69,800	-
Share Rights issued	320,000	69,800
Share Rights Converted to Shares	(69,800)	-
Balance at end of period	320,000	69,800

## Notes to the financial statements

for the half-year ended 31 December 2014

	<b>December 2014 \$ cents</b>	<b>December 2013 \$ cents</b>
<b>9. EARNINGS PER SHARE</b>		
Basic earnings (loss) cents per share	(1.3)	(4.6)
Diluted earnings (loss) cents per share	(1.3)	(4.6)

Income and share information used in the calculations of basic and diluted earnings per share:

Net Profit/(Loss) used to calculate basic EPS	(2,449,315)	(3,989,345)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares on issue used to calculate basic earnings per share	184,001,906	87,268,606
Effect of dilutive securities	-	-
Adjusted weighted average number of Ordinary shares and potential ordinary shares used to calculate diluted earnings per share	184,001,906	87,268,606

As at the balance date, there are 6,270,000 share options on issue. These potential ordinary shares have not been taken into account when calculating the diluted loss per share due to their anti-dilutive nature.

## Notes to the financial statements

for the half-year ended 31 December 2014

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### **10. CONTINGENT LIABILITIES/GUARANTEE**

Viralytics Ltd, guarantees the performance of the obligations of InJet Digital Aerosols Limited (see also Note 5) in the license agreement between Canon Inc and InJet Digital Aerosols Limited. The guarantee relates to an initial amount of \$1 million and other non-specified amounts.

InJet Digital Aerosols Limited advised its shareholders on 31 May 2010 that Canon Inc had placed on hold the project for the development of an inhalation device using the licensed InJet technology. Canon has further informally advised Injet management of its preparedness to release Injet from the license agreement; however no formal notification of cancellation has been received. No legal advice has been sought as to the effect on the guarantee of this decision, but the above action by Canon Inc would appear to limit any potential claim they could make if they were to invoke the guarantee.

At the date of this report there are no other known contingent liabilities.

### **11. SUBSEQUENT EVENTS**

There have not been any matters or circumstances that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company after the half-year period.

## Directors' Declaration

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The directors' of the Company declare that:

- (1) the financial statements and notes, as set out on pages 7 to 17 are in accordance with the *Corporations Act 2001* including:
  - (a) complying with the Australian Accounting Standard AASB 134: Interim Financial Reporting, and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2014 and its performance for the half-year ended on that date.
- (2) 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.



Mr Paul Hopper  
Chairman

Sydney  
Date: 17 February 2015

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## **Independent Auditor's Review Report To the Members of Viralytics Limited**

We have reviewed the accompanying half-year financial report of Viralytics Limited ("Company"), which comprises the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration.

### **Directors' responsibility for the half-year financial report**

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

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Viralytics Limited financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Viralytics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

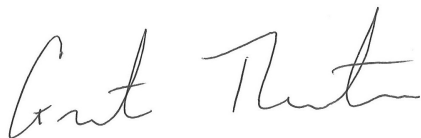
**Independence**

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

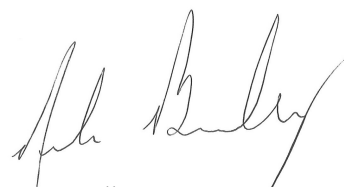
**Conclusion**

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

- a giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



N.J. Bradley  
Partner - Audit & Assurance

Sydney, 17 February 2015