



VIRAX HOLDINGS LIMITED

ABN 56 006 569 106

**ANNUAL REPORT
YEAR ENDED
30 JUNE 2014**

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The Directors submit their report for the year ended 30 June 2014.

Directors and Officers

The names and details of the Directors and Company Secretary of the Company in office during the financial year and at the date of this report are:

Directors

Dr W. Millen
BScHons, Ph.D

Dr Millen is a venture capitalist with over 30 years' experience in establishing his own start-up enterprises in the life sciences and technical services sectors. He has been the lead investor and strategist in private companies, ASX listings and company mergers. Dr Millen has been Chairman and CEO of several private and ASX listed organisations, and has brought to these companies a strong ability to operate at the interface of technology and commerce. Notable examples are the Pilbara Laboratories Group, AMMTEC Ltd, Clinuvel Pharmaceuticals Limited, Elk OrthoBiologics Limited, and Biotech Equity Partners Pty Ltd.

Dr Millen has been involved with structuring joint ventures, strategic alliances and marketing agreements in several countries including China, Malaysia, Kenya, USA, UK and in Europe. He is vitally committed to wealth creation for investors through generating corporate teams, and building companies around unique projects with high growth potential. As a recent example, in Europe, Clinuvel has commercialised the First-in-Class drug SCENESSE for photoprotection and re-pigmentation of the skin.

He has a PhD in chemistry and biochemistry from the University of Western Australia and as a Fulbright Scholar studied in the Molecular Biology Institute to the University of California Los Angeles (UCLA) with Nobel Prize Laureate - Professor Paul Boyer.

Special Responsibility: Non-executive Chairman of the Board

Appointed: 30 August 2013

Other current directorships None

Former directorships in last 3 years None

Dr R. Crombie
BA(Mod) Hons, PhD

Dr Crombie has held senior management roles at Arana Therapeutics, and EvoGenix Limited. He has also been a consultant providing specialist advice to start up innovation companies.

Previously as Head of Melbourne Operations for Antibody drug development company Arana Therapeutics, Rob played a key role in Arana's success, from its start up phase as EvoGenix, through its successful IPO on the ASX, merger with fellow Australian company Peptech to form Arana, culminating in Arana's \$318M acquisition by Cephalon.

Rob has also worked in the UK biotechnology sector, helping transition Cobra Therapeutics, a gene therapy start-up company, into drug delivery company ML Laboratories (now Vectura Group).

Special Responsibility: Executive Managing Director.

Appointed: 16 June 2014

Other current directorships None

Former directorships in last 3 years None

Mr P. Hopper
BA, ASIA

Mr Hopper is a Los Angeles based biotechnology executive. He brings more than 20 years experience in international public company markets, primarily in the life sciences sector.

He is an advisor to Los Angeles based investment bank Cappello Group, in particular to the Life Sciences and Australia Desks at that institution. He is Chairman of the American Australian Association in California.

Special Responsibility: Executive Director.

Appointed: 30 May 2014

Other current directorships Director of two other public companies: Executive Chairman Imugene Ltd and Chairman Viralytics Ltd. Also Chairman of the California Chapter of American Australian Association.

Former directorships in last 3 years Director Psvida Corp 2008 to 2014

Director Isona 2012 to 2013

Director Somnosed 2007 to 2012

Dr R. Toder
Dipl.Bio, PhD, habil,

Dr Toder has held various executive and board positions in Pharma and Biotechnology companies in Europe, Australia and New Zealand, notably as a board member of Broadvector Limited, Australia and Gibb Holdings, New Zealand, CEO of Vivendy Therapeutics Ltd, Switzerland, CEO of Axicos AG, Switzerland, CEO of Biochip Technologies, Germany and CSO of Genescan Europe AG.

He is currently Executive Director of Akalpa, Lifescience Consulting Limited, New Zealand, Director of Business Development and International Licensing of Footfalls&Heartbeats Limited, New Zealand and Vice President of Centogene AG, Germany.

Special Responsibility: Non-executive Director.

Appointed: 30 August 2013

Other current directorships None

Former directorships in last 3 years

None

Dr B. de Kauwe
BDSc, Grad Dip App Fin,
RG146(ASIC)

Dr de Kauwe studied a Bachelor of Science and Bachelor of Dental Surgery of the University of Western Australia. He also holds a Post Graduate Diploma in Applied Finance, majoring in Corporate Finance, is currently completing his Masters in Applied Finance and is also an ASIC compliant (RG146) Securities Advisor.

Dr de Kauwe's extensive science and bio-medical background with more than 10 years' experience in the health sector; coupled with his finance background, gives him an integral understanding in the evolution of projects over a diverse range of sectors.

Special Responsibility: Non-executive Director and Chairman of the Audit Committee.

Appointed: 30 August 2013

Other current directorships Executive Chairman - Actinogen Ltd (ASX:ACW) – September 2013 to present

Former directorships in last 3 years Non-Executive Director- Cossack Energy Ltd (previously PTO Consolidated Ltd) – February 2012 to July 2013.

Mr M. Humphris

Mr Humphris has over 30 years' experience as a partner in international and national Chartered Accounting Practices – specialising in Corporate Recovery, Dispute Resolution and Turnaround Management Consulting. Mr Humphris is currently a Consultant with Grant Thornton. He is currently a non-executive director of Tox Free Solutions Ltd and VicForests.

Special Responsibility: Non-executive Chairman of the Board

Appointed: 16 January 2008

Resigned: 30 August 2013

Mr I. Pyman

Mr Pyman is a consultant to the Melbourne firm of Donaldson Trumble Lawyers and a principal of Business Redirections, a firm of business and legal consultants. Mr Pyman was previously at Allens Arthur Robinson, one of Australia's largest legal firms. His experience is in commercial and corporate law. Mr. Pyman is also Deputy Chancellor of Monash University and is the Chair of the Council's Audit & Risk Management Committee.

Special Responsibility: Non-executive Chairman of the Audit Committee.

Appointed: 16 January 2008

Resigned: 30 August 2013

Mr J. Morrison

Mr Morrison is a Chartered Accountant with over 30 years' experience including 15 years with Ernst & Young. More recently he has also undertaken consulting assignments for public companies, government business enterprises and private companies – acting in the role of a senior executive – including CFO. Mr Morrison has acted as the Company's CFO since 1 January 2007.

Appointed: 13 March 2012

Resigned: 30 August 2013

As at the date of this report, the interests of the Directors in the shares, and options of Virax Holdings Limited were:

	No. of Ordinary Shares	No. of Unlisted Options
W Millen	25,000,000	7,000,000
R Crombie	Nil	40,000,000
P Hopper	35,640,000	Nil
R Toder	Nil	2,000,000
B de Kauwe	12,400,000	5,000,000
M Humphris (resigned 30 August 2013)	1,064,385	Nil
I Pyman (resigned 30 August 2013)	756,885	Nil
J Morrison (resigned 30 August 2013)	Nil	Nil

Company Secretary

Mr Sean Henbury

Mr Henbury (CA, FITA) is a Chartered Accountant with over 13 years' experience in public practice with three of Perth's major Accounting firms. He was a founding director of the accounting firm FJH Solutions Pty Ltd, where he continues to provide client support across a wide range of industries including mining, exploration, research and development, construction and manufacturing. Mr Henbury's primary areas of expertise include taxation consulting, taxation compliance, corporate restructuring, financial reporting, and Company secretarial requirements

Appointed: 21 October 2013

Mr Simon Penney

Mr Penney is a Chartered Accountant with substantial experience in the auditing and financial reporting of ASX listed and unlisted entities. He is an owner of the corporate advisory firm Blue Horse Corporate Pty Ltd, which specialises in the provision of corporate and financial services to public companies.

Appointed: 30 August 2013

Resigned: 21 October 2013

Mr John Morrison

Mr Morrison is a Chartered Accountant with over 30 years' experience including 15 years with Ernst & Young. More recently he has also undertaken consulting assignments for public companies, government business enterprises and private companies – acting in the role of a senior executive – including CFO. Mr Morrison has acted as the Company's CFO since 1 January 2007.

Appointed: 16 January 2008

Resigned: 30 August 2013

Meetings of Directors

	Board	Audit Committee
No. of Meetings for the Year	4	1
No. of Meetings attended		
W Millen	4	1
R Crombie	1	-
P Hopper	1	-
R Toder	4	1
B de Kauwe	4	1
M Humphris	-	-
I Pyman	-	-
J Morrison	-	-

Audit Committee

The Audit Committee consists of two non-executive Directors (and until 21 September 2011 excluded the Chairman of the Board who could be present by invitation). The role of the committee is set out in the Corporate Governance section of this Report. The Board requires that the Audit Committee meet the external auditor at least twice a year, once to review half yearly accounts and at least once to review the annual accounts. The external auditor may, at his request, meet with the Board of Directors without management being present. Attendance at the meetings was as shown in the table above. There were no meetings while the Company was under the control of the Deed Administrators.

Nomination Committee

The Nomination Committee comprises all Directors and its functions are conducted within the normal meeting of the Board. The role of the committee is to review the Board structure, its composition and performance. There were no meetings while the Company was under the control of the Deed Administrators.

Risk Management Committee

The Risk Management Committee comprises all Directors and its functions are conducted within the normal meeting of the Board. The role of the committee is to review the Company's risk profiles and the management of those risks. There were no meetings while the Company was under the control of the Deed Administrators.

Remuneration Committee

The Remuneration Committee is appointed from non-executive directors. The role of the Remuneration Committee is to assist the Board in respect to establishing appropriate remuneration levels and policies for directors and executive staff. These activities are currently activated in Board meetings with the exclusion of executive staff. There were no meetings while the Company was under the control of the Deed Administrators.

Company Structure

The corporate structure of the Virax Group, at the date of this Report, is as follows:

Virax Holdings Limited ACN 006 569 106 holds all the issued capital in

- *Virax Immunotherapeutics Pty Ltd* ACN 006 715 171
- *Pathway Oncology Pty Ltd* ACN167 335 748

Virax Holdings Limited is the holding company of the group and raises funds that are used in the consolidated entity and also employs all staff and contractors and undertakes administrative activities for the other companies in the consolidated entity.

- *Virax Immunotherapeutics Pty Ltd holds in-licensed intellectual property and various contracts related to such intellectual property, services and other matters. This company also sub-licenses applicable intellectual property.*
- *Pathway Oncology Pty Ltd was acquired on 30 May 2014 and holds certain intellectual property including the proprietary novel drug candidates for treatment of cancer and other diseases, including potent and selective peptidomimetic inhibitor of geranyltransferase I, GGTI-2418 and its methylester GGTI-2417.*

Nature of Operations and Principal Activities

The principal activities during the year of the entities within the consolidated entity were:

- In-licensing of novel intellectual property including Pathway acquisition of GGTI-2418;
- the preparation for and conduct of clinical trials relating to the companies products;
- business development associated with the promotion of Virax's proprietary technologies and products; and
- business development associated with developing collaborative, partnership relationships and corporate transactions.

Review of Operations and Operating Results

The consolidated entity was engaged in its principal activities during the financial year. The results of these operations are contained in the attached financial statements.

The consolidated loss of the economic entity for the year after providing for income tax amounted to \$1,296,896 (2013: \$1,787,000 profit).

Significant Events

The significant events during the year were:

Appointment of Voluntary Administrators and Execution of a Deed of Company Arrangements and Restructuring Deed

On 24 August 2012 the Board resolved to place the Company into administration and Mr Laurie Fitzgerald and Mr Stephen Dixon were appointed Voluntary Administrators.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012.

The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 28 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012, as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Following the Administrators' appointment, expressions of interest were sought from third parties for the reconstruction and recapitalisation of the Company.

Reconstruction of the Company

On 26 February 2013 (as amended on 21 June 2013) the Company, the Deed Administrators and Otsana Capital entered into a Reconstruction Deed, which embodied a Recapitalisation Proposal.

The Recapitalisation Proposal (as contained in the Explanatory Statement of 30 July 2013) involved the following:

- (a) The Company consolidated its existing securities on a one (1) for ten (10) basis, rounded to the nearest whole number (Consolidation). This occurred on 11 September 2013.
- (b) The Company issued the following securities under a transaction specific prospectus on 14 November 2013:
 - (i) 25,000,000 fully paid ordinary shares in the Company (Shares) issued at a price of \$0.00001 each raising \$250 (on a post-Consolidation basis)(Proponent Shares);
 - (ii) 500,000,000 Shares at an issue price of \$0.005 each raising \$2,500,000 (on a post-Consolidation basis) (General Placement Shares); and
 - (iii) 100,000,000 unquoted Options exercisable at an exercise price of \$0.005 each on or before 12 October 2017 at an issue price of \$0.00001 each, raising \$1,000 (on a post-Consolidation basis) (Proponent Options).
- (c) These securities were issued to persons nominated by Otsana to receive securities in the Company, in accordance with Resolution 2 of the Notice of Meeting dated 24 July 2013, and their associates (together, the Proponent Nominees). The proposed new directors of the Company, Dr. Brendan de Kauwe, Dr. Wayne Millen and Dr. Roland Toder (together the Proposed Directors) and their associates, participated as Proponent Nominees up to a maximum allocation as specified in the accompanying Explanatory Statement.
- (d) Of the funds raised from the issue of these securities, the Company paid \$500,000, subject to reduction of that amount to the extent of certain Virax Group liabilities which may be incurred up to Settlement of the Reconstruction Deed that will not be paid

by the Trustees of the creditors' trust created in accordance with the DOCA and certain additional audit and other costs associated with the Virax Group's financial accounts and reports up until the financial year ended 30 June 2013 (Cash Consideration), to the Trustees of the Creditors' Trust.

- (e) The Proposed Directors were appointed to the board of directors of the Company immediately upon the Recapitalisation Resolutions being passed at the Meeting. Following appointment of the Proposed Directors, the Company's existing Directors resigned.

The Reconstruction Deed was subject to a number of conditions, including obtaining necessary shareholder approvals.

These shareholder approvals were provided in a general meeting on 30 August 2013.

The Prospectus was issued on 19 September 2013. The Company announced on 25 October 2013 that it had completed the recapitalisation proposal after receiving subscriptions in excess of the proposed maximum \$2,500,000 capital raising with the issue of the following securities:

- 500,000,000 ordinary shares of \$0.005 each raising \$2,500,000;
- 25,000,000 ordinary shares at \$0.00001 each raising \$250; and
- 100,000,000 unlisted options exercisable within 4 years at \$0.005 per ordinary share raising \$1,000.

At the time the Cash Consideration was paid to the Creditors' Trust (which occurred upon Settlement of the Reconstruction Deed):

- (i) the Deed Administrators assigned to the Creditors' trust the Company's loan receivable from its subsidiary Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less the Cash Consideration) as described in paragraph (d) above;
- (ii) DOCA was terminated;
- (iii) all admitted claims against the Company arising on or before 24 August 2012 (Claims) were released and compromised with those creditors' with Claims (Creditors) instead entitled to rights in respect of the Creditors' Trust; and
- (iv) the Company retained its main business undertaking.

Following finalisation of all outstanding compliance matters on 13 November 2013, the Deed of Company Arrangement was fully effectuated and the Deed Administrators retired.

The Company sought the reinstatement to trading of its Shares on the ASX, and this was granted on 19 November 2013.

Co-X-Gene™ Technology and the Transgene Sub-licence

The Company's wholly owned subsidiary Virax Immunotherapeutics Pty Ltd owns a licence to the Co-X-Gene™ technology.

In March 2007, Transgene (Eurolist Paris: FR0005175080) executed a License Agreement (the "Transgene Sub-licence") with the Company for access to Co-X-Gene™ technology for use in two of Transgene's immunotherapeutic products:

- TG4001 (cancer vaccine) – Phase IIb CIN2/3/HPV trial completed and planning a Phase IIb trial in oral squamous cell carcinoma (OSCC/HPV16); and
- TG4010 (non-small cell lung cancer vaccine) - Phase IIb part of the Phase IIb/III TIME trial completed and planning the Phase III part of the trial. This is subject to an Option Agreement negotiated by Transgene with Novartis. In April 2014, Novartis decided to not exercise its right to licence TG4010.

The developments in the two Transgene programs (TG4001 and TG4010) covered by the licence during the financial period were:

TG4001 The licence agreement with Roche of April 2007 was terminated by Roche on 22 February 2011 for strategic reasons, notably prior to the completion of Phase II clinical testing and the availability of any data. This trial completed in Q4 2011, with the results released in Q2 2012. Transgene acquired a new partner for this program which they announced on 13 November 2012. The program has been partnered with EORTC in which TG4001 will be administered in combination with chemo-radiotherapy in patients with HPV16 positive cancer of the oro-pharynx.

Transgene continues to list TG4001 on its pipeline chart, however they have not provided any further updates on the progress of any trials.

TG4010 In January 2014, Transgene released topline results for the Phase IIb part of the Phase IIb /III (TIME) clinical trial for the treatment of Non-small cell lung cell cancer (NSCLC), using Transgene's immunotherapeutic product TG4010. Transgene is now planning to move into the Phase III part of the TIME trial.

Following the Novartis decision not to pursue its option agreement, Transgene has announced further analysis from its Phase2b trial in May 2014 showing the primary endpoint of progression-free survival (PFS) to validate the TrPAL predictive biomarker was met in a sub-group of patients with advanced non-small cell lung cancer.

Transgene has announced that finding a new partner for TG4010 remains their primary corporate objective for the upcoming months.

As part of the Deed of Company Arrangement executed on 19 October 2012, the Creditors Trust created thereunder was assigned the Holding Company's loan receivable from Virax Immunotherapeutics Pty Ltd. Accordingly, any receipts from Transgene will be paid to the Creditors Trust, however limited to the extent of that assigned loan as adjusted under the Reconstruction Deed. Milestone payments to Virax under the sub license could be triggered, if Transgene is able to find a new partner.

The amount of any sub-licence payments is dependent upon clinical achievements, details of the partnering transactions and the moneys received by Transgene, including the timing of such payments.

Pathway acquisition

On 17 March 2014 Virax announced that it had entered into a binding agreement to acquire Pathway Oncology Pty Ltd (**Pathway**), the holder of an exclusive worldwide licence of certain intellectual property from Yale University and the University of South Florida. The intellectual property includes anti-cancer technology developed at Yale University in New Haven, Connecticut and the Moffitt Cancer Center in Florida, the third largest cancer center in the United States.

The technology is a novel cancer drug, GGTI-2418, that blocks the important cancer growth enzyme geranyl-geranyl transferase I (GGTase I) as well as Ral & Rho circuits in cancer cells, which are key oncogenic pathways for a cancer cell to survive and grow.

Completion of the transaction was conditional on a shareholder's meeting to approve the transaction and the raising of an additional capital to fund the expanded operations of Virax. The acquisition was approved at a meeting of shareholders on 9 May 2014 and \$3,000,000 was raised via a placement of shares which was completed on 20 May 2014.

On 30 May 2014, the Company completed the acquisition of Pathway. The acquisition of Pathway was accounted for as an "asset acquisition" under Australian Accounting Standards. The consideration paid for the acquisition of Pathway is as follows:

- (a) \$25,000 in cash plus 60,000,000 fully paid ordinary shares in Virax at settlement;
- (b) within 18 months from the date of settlement and subject to the re-activation or re-opening, or allowance, of an IND for any disease indication by US FDA (Milestone 1) , an additional 90,000,000 fully paid ordinary shares in Virax within 10 Business Days of such satisfaction; and
- (c) within 36 months from the date of settlement and subject to the dosing of the first patient in a Phase Ib/II trial for any disease indication (Milestone 2), an additional 90,000,000 fully paid ordinary shares in Virax within 10 Business Days of such satisfaction.

At 30 June 2014, the Company had issued 60,000,000 fully paid ordinary shares in Virax to the Pathway shareholders. The fair value of the intellectual property has been determined by reference to fair value of share issued in accordance with AASB 2: *Share Based Payment*, including an allowance for the share to be issued subject to the satisfaction of milestones 1 and 2 (refer to Note 10).

Pathway has an exclusive, worldwide license from Yale to exploit the technology behind the novel cancer drug, GGTI-2418.

As is customary in transactions of this type, Pathway must:

- (a) pay for the future costs of maintaining the intellectual property portfolio;
- (b) make minimum yearly payments to Yale and use reasonably commercial efforts to commercialise the technology;
- (c) make lump sum payments to Yale upon achieving certain defined milestones (first dosing of patient in a Phase II and III clinical trial, upon filing and approval of an NDA for a product, approval of a product in the EU and approval of a product in Japan); and
- (d) pay to Yale commercial arm's length net sales revenue royalties in respect of any products that are commercialised.

Events after the Balance Date

No matters or circumstances has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Prejudicial Information

Pursuant to sections 299(3) and 299A (3) of the Corporations Act 2001, this Report omits information relating to likely developments in the company's operations in the future because to do so will result, in the opinion of the Directors, in unreasonable prejudice to the Company.

Other Matters

Auditor

Ernst & Young.

Auditor's Independence and Non- Audit Services

Auditor's Independence

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Virax Holdings Limited with an Independence Declaration in relation to the audit of the financial report for the year ended 30 June 2014. This Independence Declaration is attached to the Directors' Report and forms a part of the Directors' Report

Non-Audit Services

The Company may decide to employ the Auditor on assignments in addition to their statutory audit duties. This may be done where their expertise or experience with the Company (or the consolidated entity) is appropriate.

Details of the amounts paid to Ernst & Young for the year are shown in *Financial Statements Note 15 - Auditor's Remuneration*.

Based on the advice of the Company's Audit Committee, the Directors have satisfied themselves that the provision of non-audit services during the year by the Auditor, Ernst & Young, or on the Auditor's behalf, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. There were no non audit services provided during the financial year (2013: Nil).

Continuous Disclosure

The Company Secretary was responsible for all communications with the ASX during the 2014 financial year.

Corporate Governance

An explanation of the principles of corporate governance followed by Directors is in the section of this Report – “*ASX Corporate Governance Principles – An Explanation of Virax Practice*”.

Dividends

No dividends were paid, declared or recommended during the year (2013: Nil).

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payments have been made to indemnify Ernst & Young during or since the financial year.

Environmental Regulation and Performance

The Company's activities in respect of the conduct of preclinical and clinical trials, vector construction and the manufacturing of drugs, using Co-X-Gene™ technology and other biological technologies, for preclinical and clinical trials are subject to the law of the Commonwealth or the State or Territory in which such activity takes place. The Company undertakes such activities itself and through contractors. Some aspects of such activities could be construed as being covered by law or regulations relating to environmental matters. It is believed that, should activities be so construed, the Company meets the requirements of such law and regulations. The Company retains the right, under the respective contracts, to audit the performance of its contractors.

Indemnification and Insurance related to Directors

During the financial year, Virax Holdings Ltd paid an insurance premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001. 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 end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of its controlled entities against a liability incurred as such an officer or auditor.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives. An individual Director or Directors may request the Board's agreement to seek independent professional advice at the Company's expense, in respect of any matter reasonably and necessarily related to carrying out the individual Director or Directors' duties. Such agreement shall not be unreasonably withheld.

Issued Securities

Details of issued securities are shown in Notes to the Financial Statements, *Note 12 Contributed Equity*.

Information as to the securities held by Directors and Executives during the financial year ended 30 June 2014 is shown in the Financial Statements - *Note 19 Key Management Personnel*.

Holders of options, either listed or unlisted, do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. However, if the Company offers to existing shareholders shares by way of a Pro Rata Issue (except a Bonus Issue) the exercise price of listed or unlisted options may be reduced. Such reduction is determined in accordance with the formula set out in ASX Listing Rule 6.22.2.

Unissued shares

As at the date of this report, there were 127,700,000 unissued ordinary shares under options (127,700,000 at the reporting date). Refer to *Note 12 Contributed Equity* for further details of the options outstanding.

Shares issued as a result of the exercise of options

During the financial year, option holders have exercised options to acquire 12,300,000 fully paid ordinary shares in the Company at an exercise price of \$0.005.

Remuneration Report (Audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Basis of Report:

Voluntary and Deed Administration of the Affairs of the Company

Upon the appointment of the Voluntary Administrators of the Company on 24 August 2012 and their subsequent role as Deed Administrators from 19 October 2012, the governance of the Company resided with the Administrators. The KMP ceased to have functions upon the appointment of the Administrators. The services of CEO and CFO were terminated. Although the Directors and Company Secretary remained in office until their resignations on 30 August 2013, no remuneration accrued since the date of appointment of the Administrators.

The Deed Administrators involvement with Company terminated 13 November 2013 upon finalisation of all outstanding compliance matters and the Deed of Company Arrangement was fully effectuated. This report needs to be read in conjunction with this situation.

General

The form and required information of this Report is prescribed by the Corporations Act which requires directors to report on the relationship between the remuneration policy, particularly in respect to executive performance and rewards, company performance, company's earnings and shareholder wealth. Compliance with Australian Accounting Standards is also required.

The Corporations Act refers to "Remuneration" and the Accounting Standards refer to "Compensation". For the purpose of this report, the terms are synonymous.

The terms "director", "secretary" and "senior managers" as defined in the Corporations Act 2001 are synonymous with "Key Management Personnel" as defined by the Australian Accounting Standard. "Key Management Personnel" (KMP) are persons who are directly responsible and accountable for operational management and implementation of the strategic direction of the Company and the consolidated entities. During the financial year, these terms have been applied to include the following persons as Key Management Personnel:

W. Millen	Chairman (Non-executive)(appointed 30 August 2013)
R. Crombie	Managing Director (Executive) (appointed 16 June 2014)
P. Hopper	Director (Executive) (appointed 30 May 2014)
R. Toder	Director ((Non-executive)(appointed 30 August 2013)
B. de Kauwe	Director ((Non-executive)(appointed 30 August 2013)
M. Humphris	Chairman (Non-executive)(resigned 30 August 2013)
I. Pyman	Director (Non-executive) & Chairman of the Audit Committee (resigned 30 August 2013)
L. Ward	Chief Executive Officer & Development Director (ceased employment 24 August 2012)
J. Morrison	Chief Financial Officer (ceased employment 24 August 2012) & Company Secretary; Director (appointed 13 March 2012 – resigned 30 August 2013)

Role of the remuneration committee

The remuneration committee is a committee of the board. It is primary responsible for making recommendation to the board on:

- non-executive director fees
- executive remuneration (directors and other executives), and
- the over-arching executive remuneration framework and incentive plan policies.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with long-term interests of the Company.

The Corporate Governance Statement provides further information on the role of this committee.

Directors' Report Remuneration Report (continued)

Principles used to determine the nature and amount of remuneration

Non-Executive Director

Fees and payments to the non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Non-executive Chairman fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive directors have not received incentive options and do not receive performance bonuses.

Directors' fees

The current base remuneration was last reviewed with effect from 1 May 2014. The Chairman currently receives a fixed fee for his services.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$400,000 per annum and was approved by shareholders at the annual general meeting on 9 November 2004.

The following non-executive director fees have applied to the respective financial years:

Name	2014 \$	2013 \$
Chairman	117,000	-
Other non-executive directors (in aggregate)	39,500	20,665

Retirement allowances for non-executive directors

No retirement benefits are provided.

Executive Directors

The Company had two Executive Directors during the year. The executive pay and reward framework has two components being base pay and benefits, including superannuation, and incentive share options granted. The Company does not offer any retirement benefits to Executive Directors. The only performance related links to the existing remuneration policies are the vesting conditions placed upon the performance share options granted and the cash bonus.

Use of remuneration consultants

During the year 30 June 2014 the Company did not engage any remuneration consultants.

Relationship of Rewards and Performance

The value of incentive options, performance options and performance bonuses can represent a significant portion of an executive's salary package. The ultimate value to the executives of and link to remuneration policies are the vesting conditions placed upon performance share options and bonuses and or the share price as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

The details of the vesting conditions associated with performance shares and bonuses are disclosed in the service agreement and share based compensation section of the remuneration report.

Company performance, shareholder wealth and Director and Executive remuneration

As the Company is not yet generating earnings nor paying dividends, the share price is the key measure of shareholder value. The table below shows the performance in share price over the year and previous 4 years

Year	30 June 2010 \$	30 June 2011 \$	30 June 2012 \$	30 June 2013 \$	30 June 2014 \$
Closing share price	0.65	0.19	0.09	0.09	0.06

The issuing of share options under Director and Employee share option plans helps align the Boards personal interests to that of the shareholders.

Details of Remuneration

Details of the remuneration of the directors and the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

Directors' Report Remuneration Report (continued)

Specific Details related to Remuneration of Key Management Personnel Compensation Received by Directors & Key Management Personnel

30 June 2014	Short-Term				Post Employment		Sub Total	Share Based Payments		Total	Total Performance
	Salary & Fees	Salary & Fees	Cash Bonus	Leave	Termination	Superannuation		Options	Shares		
	Accrued/Paid	Deferred	Amount	Entitlement							
W. Millen (I)	117,000	-	-	-	-	-	117,000	-	-	117,000	N/A
R. Crombie (II) (VI)	11,301	-	-	-	-	1,046	12,347	43,464	-	55,811	N/A
P. Hopper (III)	7,500	-	-	-	-	-	7,500	-	-	7,500	N/A
R. Toder (I)	18,500	-	-	-	-	-	18,500	-	-	18,500	N/A
B. de Kauwe (I)	13,500	-	-	-	-	-	13,500	-	-	13,500	N/A
M. Humphris (IV)	-	-	-	-	-	-	-	-	-	-	N/A
I. Pyman (IV)	-	-	-	-	-	-	-	-	-	-	N/A
J. Morrison (IV)	-	-	-	-	-	-	-	-	-	-	N/A
Directors sub-total	167,801	-	-	-	-	1,046	168,847	43,464	-	212,311	N/A
L. Ward (V)	-	-	-	-	-	-	-	-	-	-	
Executive sub-total	-	-	-	-	-	-	-	-	-	-	
	167,801	-	-	-	-	1,046	168,847	43,464	-	212,311	

30 June 2013	Short-Term				Post Employment		Sub Total	Share Based Payments		Total	Total Performance
	Salary & Fees Accrued/Paid	Salary & Fees Deferred	Cash Bonus Amount	Leave Entitlement	Termination	Superannuation		Options	Shares		
M. Humphris	-	10,939	-	-	-	984	11,923	-	-	11,923	N/A
I. Pyman	-	8,020	-	-	-	722	8,742	-	-	8,742	N/A
J. Morrison	-	-	-	-	-	-	-	-	-	-	N/A
Directors sub-total	-	18,959	-	-	-	1,706	20,665	-	-	20,665	
L. Ward	-	36,064	-	3,548	195,000	3,116	237,728	-	-	237,728	N/A
J. Morrison	-	-	-	-	150,000	-	150,000	-	-	150,000	N/A
Executive sub-total	-	36,064	-	3,548	345,000	3,116	387,728	-	-	387,728	
	-	55,023	-	3,548	345,000	4,822	408,393	-	-	408,393	

(I) - Appointed 30 August 2013

(II) - Appointed 16 June 2014

(III) - Appointed 30 May 2014

(IV) - Resigned 30 August 2013

(V) - Resigned 30 August 2013

(VI) - % of share based payment of total remuneration equates to 78% (2013 – N/A)

Service agreement

Service contracts have been entered into by the Group with all key executives, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to employee options. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Remuneration Committee to align with changes in job responsibilities and market salary expectations.

The Company has contracts with the following personnel;

- W. Millen Chairman (Non-executive)(appointed 30 August 2013)
- R. Crombie Managing Director (Executive) (appointed 16 June 2014)
- P. Hopper Director (Executive) (appointed 30 May 2014)

These contracts are renewable on expiry. A summary of the terms and conditions of the service agreements is as follows:

- **W. Millen**- No fixed term commencing on 30 August 2013.

Annual salary is \$60,000. No other benefits are included. No termination benefits accrue. Bellou Management Pty Ltd, a company associated with Dr Millen has a consultancy agreement with the Company. The agreement is on normal commercial terms for a contract of this type. Amounts paid under consultancy agreement amounted to \$57,000.

- **R Crombie** – No fixed term, commencing on 16 June 2014 and for an ongoing term subject to termination by the Company with 3 months' notice and 6 months' pay at the end of the notice period, or by Dr Crombie with 3 months' notice. Dr Crombie will be entitled to an annual salary (inclusive of superannuation) of \$300,437, subject to annual review.

In addition, the Company will pay to Dr Crombie a performance based bonus over and above the annual salary. The bonus is split between short-term incentives (STI) and long-term incentives (LTI). The STI bonus will be up to 20% of the executive's annual salary and paid upon the achievement of certain milestones and KPI's. The payment amount of any STI will be determined by the Board on a percentage basis having regard to Dr Crombie's performance against KPI's as established by the Board on an annual basis. The KPI's for the first year of Dr Crombie's employment are:

1. Undertake a review of the GGTI-2418 clinical development plans to support the clinical development program;
2. Ensure timely development of GGTI-2418 towards the re-opening of an IND or if appropriate filing of a new IND;
3. Successful re-opening of existing IND or new IND ;
4. Commence human clinical trials of GGTI-2418;
5. Undertake a strategic review of Co-X-Gene technology platform to determine best approach moving forward. Deliver decisive Strategy Plan on how to achieve the goal identified.

Subject to shareholder approval, Dr Crombie will be awarded the LTI in the form of options over ordinary shares in the Company. The key terms of the proposed offer are as follows:

- A maximum of 40m options issued following shareholder approval.
- The exercise price will be the closing price of VHL's shares on the ASX on the date of Shareholder approval. All options shall have an expiry date that is four years from their date of grant.
- The options will vest in four tranches, subject to the conditions as outlined;
 - Tranche 1 – (10m options) on commencement with the Company and will vest if the share price equals/exceeds 1.5 cents over ten trading days in any twenty sequential trading days out of sixty days at any time after grant.
 - Tranche 2 - (10m options) will vest if the share price equals/exceeds 3 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is one year after the date of grant and if Dr Crombie is still an employee two years after grant.
 - Tranche 3 (10m options) will vest if the share price equals/exceeds 4 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is two years after the date of grant and if Dr Crombie is still an employee three years after grant.
 - Tranche 4 (10m options) will vest if the share price equals/exceeds 6 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is three years after the date of grant and if Dr Crombie is still an employee four years after grant.

Dr Crombie is covered by insurances typical for a contract of this nature.

- **P. Hopper** – No fixed term, commencing on 30 May 2014 and for an ongoing term subject to termination by the Company with 2 months' notice. Mr Hopper is entitled to an annual base salary of \$90,000 per annum.

Directors' Report Remuneration Report (continued)

Share-based compensation

A summary of the key terms and conditions of options issued to R Crombie is detailed below:

Grant date	No. of options granted	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Expense for the year	Total fair value of options granted	Performance condition
16 June 2014	10,000,000	(1)	16 June 2018	\$0.006	\$0.0042	\$42,000	\$42,000	(1)
16 June 2014	10,000,000	(2)	16 June 2018	\$0.006	\$0.0038	\$729	\$38,000	(2)
16 June 2014	10,000,000	(3)	16 June 2018	\$0.006	\$0.0035	\$447	\$35,000	(3)
16 June 2014	10,000,000	(4)	16 June 2018	\$0.006	\$0.0030	\$288	\$30,000	(4)
Total						\$43,464	\$145,000	

The options issued to R Crombie are subject to shareholder approval however, in accordance with the requirements of AASB 2: *Share Based Payments* an estimate of the fair value of the options issued has been determined as R Crombie commenced employment on 16 June 2014.

- (1) Tranche 1 – (10m options) on commencement with the Company and, subject to Shareholder approval, will vest if the share price equals/exceeds 1.5 cents over ten trading days in any twenty sequential trading days out of sixty days at any time after grant.
- (2) Tranche 2 - (10m options) will vest if the share price equals/exceeds 3 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is one year after the date of grant and if Dr Crombie is still an employee two years after grant.
- (3) Tranche 3 (10m options) will vest if the share price equals/exceeds 4 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is two years after the date of grant and if Dr Crombie is still an employee three years after grant.
- (4) Tranche 4 (10m options) will vest if the share price equals/exceeds 6 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is three years after the date of grant and if Dr Crombie is still an employee four years after grant.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share and will not be subject to an escrow period.

The assessed fair value (which considers the market conditions) at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date (except for Tranche 1 options where all vesting conditions are market conditions), and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Refer to Note 21: *Share Based Payments*.

Shares provided on exercise of remuneration options

There were no options exercised provided as remuneration during the year.

Employee share scheme

None of the directors of the Company, other key management personnel of the Group or the Group Company Secretary is eligible to participate in the Company's employee share scheme.

Directors' Report Remuneration Report (continued)

Shareholdings of Key Management Personnel.

30-Jun-14	Balance as at 1 Jul 13	Granted as Remuneration	On Exercise of Options	Impact of recapitalisation	Additions/ (Disposals)	Balance as at 30 Jun 14
Directors						
W. Millen (I)	Nil	-	-	-	25,000,000	25,000,000
R Crombie (II)	Nil	-	-	-	-	Nil
P. Hopper (III)	Nil	-	-	-	35,640,000	35,640,000
R Toder (I)	Nil	-	-	-	-	Nil
B. de Kauwe (I)	Nil	-	-	-	12,400,000	12,400,000
M. Humphris (IV)	10,643,846	-	-	(9,579,461)	-	1,064,385
I. Pyman (IV)	7,568,844	-	-	(6,811,959)	-	756,885
J Morrison (IV)	Nil	-	-	-	-	Nil
Executives						
L. Ward (V)	Nil	-	-	-	-	Nil
Total	18,212,690	Nil	Nil	(16,391,420)	73,040,000	74,861,270

(I) - Appointed 30 August 2013
 (II) - Appointed 16 June 2014
 (III) - Appointed 30 May 2014
 (IV) - Resigned 30 August 2013
 (V) - Resigned 30 August 2013

30-Jun-13	Balance as at 1 Jul 12	Granted as Remuneration	On Exercise of Options	Impact of recapitalisation	Additions/ (Disposals)	Balance as at 30 Jun 13
Directors						
M. Humphris	10,643,846	Nil	Nil	Nil	Nil	10,643,846
I. Pyman	7,568,844	Nil	Nil	Nil	Nil	7,568,844
J Morrison	Nil	Nil	Nil	Nil	Nil	Nil
Executives						
L. Ward	Nil	Nil	Nil	Nil	Nil	Nil
Total	18,212,690	Nil	Nil	Nil	Nil	18,212,690

Listed Option holdings of Key Management Personnel

Key management personnel have no listed option holdings at any time during or at the end of the year.

Directors' Report Remuneration Report (continued)

Unlisted Option holdings of Key Management Personnel.

30-Jun-14	Balance at Beginning of Period		1 Jul 13 to 30 Jun 14				Balance at End of Period	
	01-Jul-13		Granted as Remuneration	Options Vested	Options Exercised	Net Change Other ⁽¹⁾	30-Jun-14	
	Vested	Unvested					Vested	Unvested
Directors								
W Millen (I)	Nil	Nil	-	-	-	7,000,000	7,000,000	Nil
R. Crombie (II)	Nil	Nil	40,000,000	-	-	-	Nil	40,000,000
P. Hopper (III)	Nil	Nil	-	-	-	-	Nil	Nil
R. Toder (I)	Nil	Nil	-	-	-	2,000,000	2,000,000	Nil
B. de Kauwe (I)	Nil	Nil	-	-	-	5,000,000	5,000,000	Nil
M Humphris (IV)	Nil	Nil	-	-	-	-	Nil	Nil
Ian Pyman (IV)	Nil	Nil	-	-	-	-	Nil	Nil
J. Morrison (IV)	Nil	Nil	-	-	-	-	Nil	Nil
Executives	Nil	Nil	-	-	-	-	Nil	Nil
L. Ward (V)	Nil	Nil	-	-	-	-	Nil	Nil
Total	Nil	Nil	40,000,000	Nil	Nil	14,000,000	14,000,000	40,000,000

(I) - Appointed 30 August 2013
(II) - Appointed 16 June 2014
(III) - Appointed 30 May 2014
(IV) - Resigned 30 August 2013
(V) - Resigned 30 August 2013

30-Jun-13	Balance at Beginning of Period		1 Jul 12 to 30 Jun 13				Balance at End of Period	
	01-Jul-12		Granted as Remuneration	Options Vested	Options Exercised	Net Change Other	30-Jun-13	
	Vested	Unvested					Vested	Unvested
Directors								
M Humphris	500,000	Nil	-	-	-	(500,000)	Nil	Nil
Ian Pyman	375,000	Nil	-	-	-	(375,000)	Nil	Nil
J. Morrison	Nil	Nil	-	-	-	-	Nil	Nil
Executives								
L. Ward	Nil	Nil	-	-	-	Nil	Nil	Nil
Total	875,000	Nil	-	-	-	(875,000)	Nil	Nil

⁽¹⁾ Net other change relate to options acquired by Key Management Personal as part of the capital raising completed by issue of 100,000,000 options on 25 September 2013 pursuant to the prospectus lodged with ASX on 18 September 2013 to raise \$1,000 in line with the recapitalisation of the Company as approved by the shareholders on 24 July 2013 (refer to Note 26 for further details).

Loans to Key Management Personnel

There were no loans to Key Management Personnel at any time during the financial year (2013: Nil).

Other Transactions

There were no other transactions with Key Management Personnel other than the remuneration disclosed above (2013: Nil).

CORPORATE GOVERNANCE REPORT

ASX CORPORATE GOVERNANCE PRINCIPLES

AN EXPLANATION OF VIRAX PRACTICE

Introduction

Reporting requirements as to Corporate Governance are set by the Corporations Act 2001 and the Australian Securities Exchange.

This section is part of the Directors' Report and consists of an explanation of:

- the reporting of corporate governance principles recommended by the ASX for all Australian listed companies
- the common reasons for Virax not having fully adopted certain corporate governance principles
- the 8 Corporate Governance Principles and "If Not, Why Not" explanation of Virax's practices

The Statement of Corporate Governance Principles required by the ASX of All Australian Listed Companies

The ASX Corporate Governance Council established *Principles of Good Corporate Governance and Best Practice Recommendations* (Corporate Governance Principles) and the Australian Securities Exchange (ASX) and the Australian Securities and Investment Commission (ASIC) require listed companies to report on their adherence to the Corporate Governance Principles. The Council recognises that companies vary in size, complexity and operations and so allowed flexibility in the way a company adopted its corporate governance structure. However, they also require accountability. This they believe is achieved by mandating that a board explain to investors if a company adopts an alternative approach to that deemed "Best Practice". This they have called the "if not, why not" obligation.

The Board is aware of the benefits of good corporate governance but also recognises that on occasions the adoption of what has been prescribed, as "Best Practice" is impractical and potentially detrimental for Virax. On the Virax website (www.virax.com.au) there is information regarding the corporate governance principles the Company has adopted. As required, this Annual Financial Report 2012 provides reasons for such variation from the ASX Corporate Governance Principles.

The 8 Corporate Governance Principles and "If Not, Why Not" Explanation are contained in this Section.

In addition to specific reasons for adoption of alternative practices there are common reasons for non-adoption. In this *Explanation of Virax Practice* each of the Corporate Governance Principles is addressed. Where the explanation refers to a common reason(s) for non-adoption of the particular principle, such reference will be to the Common Reasons for Non-adoption of the Corporate Governance Principles set out below.

Common Reasons for Non- adoption of Certain Corporate Governance Principles

There are a number of reasons common to most, if not all, principles as to why Virax has been unable to adopt all the Corporate Governance Principles.

These reasons are:

- Limitation of resources
- The application of Corporate Governance Principles which require processes inappropriate to small organisations
- Development in Virax of an appropriate culture based on ethical standards and systems rather than the adoption of arbitrary standards and "processes"
- The risk associated with the Board's adoption of "Appropriate Standards" and not "Best Practice Standards"

Limitation during the period of Voluntary and Deed Administration of the Affairs of the Company

Upon the appointment of the Voluntary Administrators of the Company on 24 August 2012 and their subsequent role as Deed Administrators from 19 October 2012, the governance of the Company has resided with the Administrators. The Deed Administrators involvement with Company terminates upon Settlement as defined within the Restructuring Deed (5 days after the completion of the Financial Reports for the periods ended 30 June 2012, 31 December 2012 and 30 June 2013). This report needs to be read in conjunction with this situation.

Limitation of Resources

Small biotechnology companies in Australia have limited access to capital. Concomitant with capital constraint is the limitation of the human resources that can be attracted and afforded. The time and knowledge required to implement, manage and run corporate governance systems is not limited to the direct cost but also includes the opportunity cost of resources being expended. Virax, as a

biotechnology development company is so constrained. Inherent in a development biotechnology company is the risk arising from limited corporate governance systems. But such risk is one of many that shareholders accept when choosing to invest in a speculative stock.

Application of Appropriate Standards & Systems and Avoidance of Inappropriate Standards & Processes

In small organisations because of limited numbers of people the resultant short lines of communications may obviate the need for much paper work. Even where it can be argued that additional paperwork would be ideal there may be a negative return on the expenditure if the scarce capital and time is committed. Those human resources that can be afforded have to be deployed so as to execute the Company's strategic and operational plans. Such execution is endangered if resources are diverted to an inappropriate degree to processes that merely allow the adherence to "Best Practice" as promulgated by the ASX Corporate Governance Council without a view to wealth creation and commercial reality.

The prescription of "Best Practice" is unfortunate since it has the unintended implication that any practice however appropriate to the circumstances of a Company, but at variance to that prescribed, is less than adequate.

Development of a Culture and Ethical Standards

The Board takes legal and ethical standards seriously. The standards set and practiced by the Board create and affect the Company's culture. However, it also recognises that in a business environment there are acceptable ranges of practices of legal and ethical standards and policies. A company may adopt different practices within those ranges for different situations and still be well within that acceptable range. Equally, the point at which the Company may set a standard can still be within that acceptable range but not necessarily be "Best Practice".

The Risk Associated with the Board's Adoption of "Appropriate Standards" and not "Best Practice Standards"

It is the Directors' responsibility to assess and approve the allocation of resources. In exercising that responsibility the Board has chosen to limit the money and resources that might have been allocated to meeting some Corporate Governance Principles that, in the judgement of the Board, have limited or no commercial utility in adding value to the Company.

Notwithstanding this evaluation of utility, a dilemma for the Directors has been, and will continue to be, to decide, in individual cases, the standards they judge appropriate for the commercial business and what is in the interests of shareholders. The risk in not adopting "Best Practice Corporate Governance Principles" is that, in this age of "check-list" judgement, the Company may be judged on a superficial basis and "marked down" by analysts, advisors or shareholders themselves. The Directors have assessed this matter in respect of the Corporate Governance Principles and decided that in certain cases the risk is to be accepted rather than dissipate resources inappropriately. These matters will be periodically reviewed as the Company and the business environment change over time.

The 8 Corporate Governance Principles and "If Not, Why Not" Explanation

The essential corporate governance principles as set out in the Corporate Governance Principles are shown in bold. Comment is added to further explain detail requirements under the Principle or the particular issue of non-compliance by the Company. Where the Company does not comply with the detailed recommendation under the Principle there is an explanation as to why, under the heading of "Explanation".

Principle 1 Lay solid foundation for management and oversight

The Principle requires that the Company should establish and disclose the respective roles and responsibilities of board and management.

Comment: The Board Charter and the responsibilities of the Board and its Committees are published on the Company's website www.virax.com.au. The Board Charter also includes the roles of management.

Principle 2 Structure the board to add value

The Principle requires that the Company should have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

Comment: A majority of the Board should be independent Directors. The Principle contains a definition of "independent".

Virax does have a majority of "independent" Directors.

Explanation: The Board consisted of three non-executive Directors until 21 September 2011. On 13 March 2012 Mr Morrison was appointed as an Executive Director of the Company.

The ASX Corporate Governance Principles defines "Independent" Director. Accordingly:

- Mr. M Humphris is deemed "Independent".

- Mr. I Pyman is deemed "Independent".
- Mr J Morrison is not deemed "Independent" due to his executive positions with the Company as CFO and Company Secretary.

Principle 3 Promote ethical and responsible decision-making

The Principle requires that the Company actively promote ethical and responsible decision-making.

Comment: The Company's code of conduct and ethical standards are published on the Company's website.

Principle 4 Safeguard integrity in financial reporting

The Principle requires that a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

- the Board establish an audit committee appropriately structured in a particular way and with a formal charter published on the Company's website

Comment: The Board Audit Committee has a formal charter with the primary responsibilities of the Committee under that Charter published on the Company's website.

The CEO/CFO representation is a Corporations Act Sec 295A requirement with which the Company complies.

Explanation: The reasons why the Audit Committee does not have at least three members.

The Audit Committee has an independent Chairman and one member. This is due to the structure and small size of the Board from time to time. Prior to February 2011 the Audit Committee had three members. Since February 2011. During the period 21 September 2011 and 13 March 2012 the Audit Committee consisted of two members, including the Chairman of the Company.

Subject to the above, in accordance with the Corporate Governance Principles, the Chairman and the CEO of Virax Holdings Limited are not members of the Audit Committee.

Having regard to the size and nature of the Company the Board believed that two members were sufficient. Since there were only two board members and only one was "Independent", arithmetically, a majority is not "Independent".

If it is necessary to hold an Audit Committee meeting when a member is unavailable then an adviser to the Committee is engaged. That person is required to be appropriately qualified and meet the definition of "Independent" referred to above.

The Board believes that because of the size and nature of the Virax business the selection of the Auditor does not warrant the development of a Policy. To date, in the Board's judgement, the service provided by Ernst & Young has been to the benefit of the Company, its shareholders and management. The matter is reviewed, from time to time, to determine whether a change of auditor might be appropriate.

Principle 5 Make timely and balanced disclosure

The Principle requires that the Company promote timely and balanced disclosure of all material matters concerning the Company.

Comment: Written policies and procedures regarding the accountability at senior level are published on the Company's website.

Principle 6 Respect the rights of shareholders

The Principle requires that the Company respect the rights of shareholders and facilitate the effective exercise of those rights.

Comment: Written policies and procedures regarding shareholder communications are published on the Company's website.

Principle 7 Recognise and manage risk

The Principle requires that the Company establish a sound system of risk oversight and management and internal control.

Comment: A statement of the Company's Risk Profile is published on the Company's website. The Principles require the adoption of a comprehensive risk management system and an explanation of the system adopted if it is not based on an Australian Standard or like standard.

Explanation: The Directors believe that they and management have an understanding of risks associated with the inherent nature of a biotechnology development company, such as Virax. They also recognise that investors are aware of the nature of, and the inherent risks associated with, such a company

As required by the Corporate Governance Principles, particularly in respect of a description of the Company's risk management policy and internal compliance procedure, the Board has been required to limit the Risk Management system to one which is appropriate for the nature, size and human and monetary resources of the Company.

Management, with the guidance of an expert external consultant, undertook an assessment of certain strategic and operational risks in December 2003 and in June 2004. A further review was undertaken by management in 2005. The result of that work demonstrated

that, even after possible mitigation action was taken into account, a number of risks rated as "High". This is normal for an early stage development company and particularly so for the Company because of the area of drug development in which it operates – the live viral vector sector of the field of immune based therapies. The ability of the Board or management to take comprehensive mitigation action on such a number of items is currently beyond the Company's resources.

The Board observes that risk management is a matter of importance to it and it is conscious of it but the application of "Best Practice" standards as required by the Principles is, in the Board's opinion, inappropriate and unaffordable.

The Board supports management in its efforts to inculcate a culture that is aware of risk management on a day-to-day basis. This rests on the principles of:

- Encouraging the maintenance of high ethical standards.
- Making staff aware of the Company's attitude to risk and in particular levels of risk that are accepted for various activities.
- Understanding risks and rewards.
- Educating staff to consider and monitor the risks inherent in their day-to-day activities.
- Building confidence in the staff as to management's need to know and thus encourage reporting potential dangers, failures or changes in risk levels at the earliest opportunity.

The Board believes that the development of the culture is and the reviews undertaken are appropriate for the Company.

The above activities have continued during the current financial year.

Principle 8 Remunerate fairly and responsibly

The Principle requires that:

- the Board establish a Remuneration Committee
- the non-executive Directors remuneration be clearly distinguished from that of executives
- the Company disclose the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined and explained to investors

Comment: Information regarding these matters is published on the Company's website.

Details of remuneration are prescribed by the Corporations Act 2001 and by the Australian Accounting Standards. Remuneration is reported in the Remuneration Section of this Directors' Report. There are no schemes for retirement benefits for non-executive Directors other than statutory superannuation contributions.

This Directors' Report is signed in accordance with a resolution of the Directors.



W Millen

Chairman

Perth

Dated 29 August 2014

ADDITIONAL SHAREHOLDER INFORMATION

This is an attachment to, and forms part of, the Directors' Report

A. SUBSTANTIAL SHAREHOLDERS

The Company had received no Substantial shareholders notices pursuant to Section 671B of the Corporations Act 2001, as at **30 August 2014**.

B. DISTRIBUTION OF EQUITY SECURITIES

i) Distribution of holdings:

Data as at the close of business **20 August 2014**

Number of Securities per Parcel	Shares Fully Paid	
	No. Holders	No. Shares
1 - 1,000	1,722	565,409
1,001 - 5,000	675	1,706,499
5,001 - 10,000	203	1,577,612
10,001 - 100,000	351	13,433,532
100,001 and over	420	903,664,319
Total	3,371	920,947,371

ii) Ordinary Shares

There were 2,841 holders of less than a marketable parcel (being 50,000 shares) of fully paid ordinary shares. Such holders, in aggregate, held 9,037,831 shares.

There is no current on-market buy back.

C. STATEMENT OF HOLDINGS OF COMPANY SECURITIES

The names of the 20 largest holders of each class of the listed equity securities as at **20 August 2014** are listed below:

i) VHL - Fully paid ordinary shares

Rank	Name	Number of Shares	Percentage of Total Class
1	MRS JACLYN STOJANOVSKI & MR CHRIS RETZOS & MRS SUSIE RETZOS <RETZOS EXECUTIVE S/F A/C>	30,000,000	3.26
2	ZERO NOMINEES PTY LTD	27,000,000	2.93
3	WEIGHTON PTY LTD <THE MILLEN FAMILY A/C>	25,000,000	2.71
4	ONETANGI NOMINEES PTY LTD <ONETANGI SUPER FUND A/C>	20,000,000	2.17
5	MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C>	19,103,334	2.07
6	ROMATIQUE PTY LTD	19,000,000	2.06
7	MR LAURIE BARICHELLO	15,000,000	1.63
8	AH SUPER PTY LTD <AH SUPER FUND A/C>	15,000,000	1.63
9	IRWIN BIOTECH NOMINEES PTY LTD <BIOA A/C>	14,500,000	1.57
10	CATARIC PTY LTD <THE OLYNYK FAMILY A/C>	12,764,705	1.39
11	MOREGLADE PTY LTD	12,000,000	1.30
12	PHEAKES PTY LTD <SENATE A/C>	11,000,000	1.19

Directors' Report Attachment
Additional Shareholder Information (continued)

13	SURFBOARD PTY LTD <ARW SUPER FUND A/C>	10,833,333	1.18
14	NIGHTFALL PTY LTD <NIGHTFALL SUPER FUND A/C>	10,479,048	1.14
15	KILINWATA INVESTMENTS PTY LTD	10,440,000	1.13
16	ALPHALINE HOLDINGS PTY LTD	10,400,000	1.13
17	OCCASIO HOLDINGS PTY LTD <OCCASIO UNIT A/C>	10,000,000	1.09
18	MR PETER JAMES MCKENZIE	10,000,000	1.09
19	BERBAY PTY LTD <BARBAY FAMILY A/C>	9,960,000	1.08
20	MR WILLIAM GRAHAM FIDDIAN <WG & RM FIDDIAN S/F A/C>	9,200,000	1.00
Top 20 Largest Shareholders		301,680,420	32.75
Total Issued Ordinary Shares		920,947,371	100.00

ii) Unlisted Options

Rank	Name	Number of Options	Percentage of Total Class
1	AH SUPER PTY LTD <AH SUPER FUND A/C>	23,500,000	26.80
2	RAVEN INVESTMENT HOLDINGS PTY LTD <RAVEN INVESTMENT A/C>	10,000,000	11.40
3	GREENSEA INVESTMENTS PTY LTD	10,000,000	11.40
4	MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG <YOUNG A/C>	7,500,000	8.55
5	ONETANGI NOMINEES PTY LTD <ONETANGI SUPER FUND A/C>	7,500,000	8.55
6	WEIGHTON PTY LTD <THE MILLEN FAMILY A/C>	7,000,000	7.98
7	DR BRENDAN DEKAUWE <ATTOLLO INVESTMENTS A/C>	5,000,000	5.70
8	MRS ANNA VASSOS	3,100,000	3.53
9	MR MATTHEW ROBERT CHUN	3,000,000	3.42
10	ROMFAL SIFAT PTY LTD <THE FIZMAIL FAMILY A/C>	3,000,000	3.42
11	BUZZ CAPITAL PTY LTD <ZI INVESTMENT A/C>	3,000,000	3.42
12	ANNLEW INVESTMENTS PTY LTD <ANNLEW INVESTMENTS PL SF A/C>	2,000,000	2.28
13	AKALPA LIFESCIENCES CONSULTING LTD	2,000,000	2.28
14	MR BACHRUN BASTILLO	1,000,000	1.15
15	MR JOHN ANTON JOGLOU	100,000	0.12
Top 20 Largest Option holders		87,700,000	100.00
Total Issued Unlisted options		87,700,000	100.00

D VOTING RIGHTS

Ordinary Shares

In accordance with the Constitution and subject to any rights or restrictions for the time being attached to any class or classes of shares, every member present or by proxy or attorney, and in the case of a body corporate by a representative duly authorised in writing of that body corporate, shall:

- upon a show of hands have one vote, and
- upon a poll shall have one vote for each fully paid share held on a poll.

A partly paid share will confer a fraction of a vote in proportion to the proportion of the amount paid up on the share.

E. ADDITIONAL INFORMATION

Company Secretary

The name of the company secretary is Mr Sean Henbury. Mr Simon Penney was Company Secretary from 30 August 2013 to 21 October 2013. Prior to 30 August 2013, the company secretary was Mr John Morrison.

Registered Office

The address of the registered office in Australia is Level 1, 21 Teddington Road, Burswood, WA, 6100.
Telephone (08) 9486 2333, Facsimile (08) 9355 4580, Email: virax@virax.com.au, Website virax.com.au.

Securities Record

The Register of listed securities is located at Automic Registry Services, Level 1, 7 Ventnor Avenue, West Perth, WA 6005.
Telephone (08) 9324 2009, Facsimile (08) 9321 2337.

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Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	3,808,562	-
Trade and other receivables	8	126,770	-
Total current assets		3,935,332	-
Non-current assets			
Plant and equipment	9	-	-
Intangible assets	10	1,344,383	-
Total non-current assets		1,344,383	-
TOTAL ASSETS		5,279,715	-
LIABILITIES			
Current liabilities			
Trade and other payables	11	252,893	-
Total current liabilities		252,893	-
TOTAL LIABILITIES		252,893	-
NET ASSETS		5,026,822	-
EQUITY			
Contributed equity	12	42,496,592	36,216,338
Reserves	13	43,464	-
Accumulated losses		(37,513,234)	(36,216,338)
TOTAL EQUITY		5,026,822	-

This Consolidated Statement of Financial Position to be read in conjunction with the attached notes.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2014

	Notes	2014 \$	2013 \$
Interest income		8,142	2
Other income		-	2,240,152
Income	4(a)	8,142	2,240,154
Research and development expenses		-	(2,100)
Business development		(47,235)	-
Corporate expenses		(50,138)	(233,892)
Administration expenses		(113,871)	(178,977)
Audit & tax services expenses		(235,847)	-
Directors fees		(168,847)	(20,665)
Employee share based expenses		(43,464)	-
Insurance and legal expenses		(128,638)	-
Investor services expenses		(81,871)	(17,520)
Outside advisors & consultants expenses		(54,945)	-
Payment to creditors trust	26	(380,182)	-
Expenses		(1,305,038)	(453,154)
(Loss)/Profit before income tax expense		(1,296,896)	1,787,000
Income tax (expense)/credit	5	-	-
(Loss)/Profit for the year		(1,296,896)	1,787,000
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total Comprehensive (Loss)/Income attributable to members of Virax Holdings Limited		(1,296,896)	1,787,000
Earnings/(loss) per share (cents per share)			
Basic earnings/(loss) per share	6	(0.262) cents	(0.756) cents
Diluted earnings/(loss) per share	6	(0.262) cents	(0.756) cents

This Consolidated Statement of Comprehensive Income to be read in conjunction with the attached notes.

Consolidated Statement of Changes In Equity For the Year Ended 30 June 2014

Changes in equity for the year ended 30 June 2014	Notes	Contributed Equity	Accumulated losses	Share based payments reserve	Total equity
		\$	\$	\$	\$
At 1 July 2013		36,216,338	(36,216,338)	-	-
Comprehensive loss for the year					
Loss for the year		-	(1,296,896)	-	(1,296,896)
Other comprehensive income			-		-
Total comprehensive loss for the year		-	(1,296,896)	-	(1,296,896)
Transactions with owners in their capacity as owners					
Issue of Shares and Options	12	6,762,750	-	-	6,762,750
Capital Raising Costs	12	(482,496)			(482,496)
Share based payments		-	-	43,464	43,464
Total transactions with owners in their capacity as owners		6,280,254	-	43,464	6,323,718
At 30 June 2014	12	42,496,592	(37,513,234)	43,464	5,026,822

Changes in equity for the year ended 30 June 2013	Notes	Contributed Equity	Accumulated losses	Share based payments reserve	Total equity
		\$	\$	\$	\$
At 1 July 2012		36,216,338	(38,556,445)	553,107	(1,787,000)
Comprehensive income for the year					
Profit for the year		-	1,787,000	-	1,787,000
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	1,787,000	-	1,787,000
Transactions with owners in their capacity as owners					
Transfers to Accumulated Losses		-	553,107	(553,107)	-
Total transactions with owners in their capacity as owners		-	553,107	(553,107)	-
At 30 June 2013		36,216,338	(36,216,338)	-	-

This Consolidated Statement of Changes in Equity to be read in conjunction with the attached notes.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Notes	30 June 2014 \$	30 June 2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,135,451)	(29,182)
Interest received		8,142	2
Net cash flows (used in) operating activities	15	(1,127,309)	(29,180)
Cash flows from investing activities			
Purchase of Intellectual Property		(144,383)	-
Net cash flows (used in) investing activities		(144,383)	-
Cash flows from financing activities			
Proceeds from issues of ordinary shares (net of cost)*		5,080,254	-
Net cash flows from financing activities		5,080,254	-
Net increase/(decrease) in cash and cash equivalents		3,808,562	(29,180)
Cash and cash equivalents at beginning of year		-	29,180
Cash and cash equivalents at end of year		3,808,562	Nil

* - as detailed in Note 10, Virax Holdings Ltd has issued 60,000,000 fully paid ordinary share for the acquisition of Pathway Oncology Pty Ltd for nil consideration.

This Consolidated Statement of Cash Flows to be read in conjunction with the attached notes

1. CORPORATE INFORMATION

The consolidated financial report of Virax Holdings Limited (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 29 August 2014.

Virax Holdings Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

On 24 August 2012 the Board resolved to place the Company into administration and Mr Laurie Fitzgerald and Mr Stephen Dixon were appointed Voluntary Administrators.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012.

The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 28 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012, as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA is to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Following finalisation of all outstanding compliance matters on 13 November 2013, the DOCA was fully effectuated and the Deed Administrators retired. The Company sought reinstatement of its shares on the ASX, and this was granted on 19 November 2013.

The assets that remain with the Company are all Intellectual Property associated with its activities as a biotechnology company, with the exception of the in-licensed Intellectual Property associated with TG1042 (the licence was terminated by the licensor due to the Administration of the Company).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared in accordance with the historical cost convention.

The financial report is presented in amounts rounded to the nearest Australian dollar, unless otherwise stated.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2013:

- AASB 119 *Employee Benefits (Revised 2011)*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*

The nature and the impact of each new standard/amendment is described below:

AASB 119 (Revised 2011) Employee Benefits

The revised standard changes the definition of short term employee benefit. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The change in distinction between short-term and other long-term employee benefits did not have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New accounting standards and interpretations (continued)

AASB 10 Consolidated Financial Statements

AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 replaces the parts of previously existing AASB 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

AASB 11 had no impact on the Group as the Group has no joint arrangements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

The additional disclosures required by AASB 12 have been included in the notes to the financial statements.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASB when fair value is required or permitted. AASB 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The additional disclosures required by AASB 13 have been included in the notes to the financial statements.

(ii) Accounting Standards and Interpretations issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective and have not been early adopted by the Group for the period ended 30 June 2014:

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net	1 January 2014	No impact	1 July 2014

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		settlement.			
Interpretation 21	<i>Levies</i>	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	No impact	1 July 2014
AASB 9	<i>Financial Instruments</i>	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in	1 January 2018	Impact of AASB 9 is yet to be determined	1 July 2018

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. 1. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.			
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	No impact	1 July 2014
AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.	1 July 2014	Impact of adoption of changes from Annual Improvements 2010–2012 Cycle yet to be determined	1 July 2014

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ▶ AASB 108 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ▶ AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ▶ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.			
AASB 2014-1 Amendments to Australian Accounting Standards Part A	AASB 2014-1 Amendments to Australian Accounting Standards Part A	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ▶ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ▶ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an	1 July 2014	No impact	1 July 2014

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		investment property. That judgment is based on guidance in AASB 3.			
AASB 1031	<i>Materiality</i>	The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	The Group has assessed the impact of the new standard as not material	1 July 2014
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i> .	Part A – Already effective Part B - periods beginning on or after 1 January 2014 Part C - reporting periods beginning on or after 1 January 2015	Impact of AASB 2013-9 is yet to be determined	Part A – Already effective Part B – period beginning 1 July 2014 Part c – period beginning 1 July 2015
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Group has assessed the impact of the new standard as not material	1 July 2016
IFRS 15 (not yet adopted by AASB)	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows	1 January 2017	Impact of IFRS 15 is yet to be determined	1 July 2017

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

Reference	Title	Summary	Application date of standard	Impact	Application date for Group
		arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.			

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

License fee, milestones and royalties

Revenue is recognised in accordance with the terms of the license agreement. Milestone and royalty revenues are recognised when the amount is readily calculated based upon advice or announcements from the licensee.

Rendering of services

Revenue from performance contracts is recognised by reference to costs incurred and services provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(e) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits which are highly liquid, readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

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

(g) Trade and other receivables

Trade receivables are initially recognised at its fair value and subsequently carried at amortised cost less an allowance for any uncollectible debts.

An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary differences are associated with investments in subsidiaries, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, in which case deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Virax Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

(i) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Plant and equipment is depreciated over 4 to 8 years of estimated useful life.

The carrying value of any plant or equipment is written off upon disposal or when it is recognised that there is no future economic benefit expected to arise from its use or disposal.

Any gain or loss arising from such event is calculated as the difference between the net disposal proceeds and the carrying amount of the item and such difference is included in the statement of comprehensive income for the period in which the event occurs.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Research and Development

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project will be recognised only when the Company or a subsidiary can demonstrate all of the following:

- technical feasibility of completing the intangible asset so that it will be available for use or sale,
- it intends to complete the asset and use or sell it,
- its ability to use or sell the asset,
- how the asset will generate future economic benefits,
- the availability of resources to complete the development and to use or sell the asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure as an intangible asset, the asset is required to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period. See Note 2(u).

(k) Trade and other payables

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of cash or other assets will be required to settle the obligation and a reliable monetary estimate of the obligation can be made.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, then a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Employee benefits

(i) Short term benefits

Liabilities for short term benefits are recognised by a provision in respect of employee entitlements. They are measured at the amounts expected to be paid when the liabilities are settled. Expense for sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee entitlements. It is measured as the present value of expected future payments to be made in respect of services provided by employees, up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, the Group's experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date based on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(n) Share-based payment transactions

The Group provides benefits to employees, directors, contractors and advisors of the Group in the form of share-based payment transactions, whereby persons render services in exchange for options (i.e. rights over shares) such benefits are referred to as 'equity-settled transactions'.

The following plans (as previously approved by shareholders within the last 3 years) are in place to provide these benefits - "Virax Holdings Limited Option Plan" and the "Virax Employee Share Plan".

The cost of an equity-settled transaction is measured by reference to the fair value of the options at the date at which the options were granted. The fair value is determined using a Black-Scholes model, a Binominal model or such other generally accepted model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, starting on the first date of the vesting period ending on the date on which the grantee becomes fully entitled to the options granted ('vesting date').

Until vesting date, the cumulative expense recognised for equity-settled transactions at each reporting date reflects:

- the extent to which the vesting period has expired, and
- the number of options that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determinations of fair value at grant date.

No expense is recognised for grants that do not ultimately vest, except for grants where vesting is conditional upon a market condition.

Where a grant is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (refer Note 2(t) and Note 6).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Earnings per share

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

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

The effect of dilution, due to outstanding options, is only calculated for those options when the exercise price of such options is below the average market price during the period.

(q) Impairment of assets

Assets are carried at no more than their recoverable amount.

The recoverable amount of an asset, or assets making up a cash generating unit, is the higher of its value in use or its fair value less costs to sell.

Impairment occurs when the amount by which the current carrying amount of an asset, or assets making up a cash generating unit, exceeds its recoverable amount. Such difference is referred to as "impairment loss".

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, an estimate of the asset's recoverable amount is made.

The recoverable amount is determined for an individual asset, unless:

- the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and
- the asset's value in use cannot be estimated to be close to its fair value.

In such cases, the asset is tested for impairment as part of the cash generating unit to which it belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign Currency Translation

Both the functional and presentation currency of the Company and its subsidiaries is Australian Dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date with exchange differences taken to profit or loss accounts.

(s) Significant Accounting Judgments, Estimates and Assumptions

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, with the assumptions details in note 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(t) GST Accounting

Other taxes, revenue, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Parent entity financial information

The financial information for the parent entity, Virax Holdings Limited, disclosed in note 16(d), has been prepared on the same basis as the consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash at bank and short term deposits from time to time.

The Group manages its exposures to key financial risk, including interest rate and currencies in accordance with the Group's financial risk management policy, which requires it to undertake those actions that are necessary to reduce the Group's exposure to financial risk so as to provide reasonable assurances as to financial outcomes in respect to the transactional circumstances of each situation.

Interest Rate Risk

The Group's exposure to market interest rates relate to the Group's cash at bank and on deposit. There was no bank debt or interest bearing debt during the financial year.

The Group does not enter into any interest rate swap or cap contracts.

At the balance date the Group had the following financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2014	2013
Cash at bank	\$3,808,562	\$ Nil

The sensitivity of the cash at bank balance to changes in interest rate (of +/-1%) equates to +/- \$38,086 at 30 June 2014. The sensitivity of 1% is based on reasonably, possible changes, over a financial year, using the observed range of actual historical short term deposit rate movements and management's expectation of future movements.

Foreign Currency Risk

The Group has the following foreign currency exposures:

Transgene Sub-licence

The Group has Sub-licensed Co-X-Gene™ to Transgene under which milestone payments are expected and due from time to time.

Upon successful completion by Transgene of the clinical trials of their products which utilise the Co-X-Gene™ technology, the Group would expect to receive milestone payments and royalty income. The Sub-licence is contractually denominated in US currency.

As at 30 June 2014 and in the near future, the amounts that the Group may receive are not known in respect to quantum or timing. These amounts and timing of receipts become known after Transgene has completed transactions with third parties which they then in turn announce to the market. The time period between the revenue triggering event and payment by Transgene is not significant and accordingly any risk is assessed at that time.

Accordingly, there is limited ability to manage these risks until milestone entitlements or royalty streams are established under the Transgene Sub-licence.

Credit Risk

Cash and cash equivalents

The cash and cash equivalents are held with an Australian major bank in accordance with the Board's risk policy. The Board believes the Group was not exposed to significant credit risk.

Trade and other receivable

Credit risk on trade and other receivables is limited as the Group does not have any trading activities. The receivables at 30 June 2014 related to GST recoverable.

Liquidity Risk

The Group has historically raised capital approximately every 12-18 months. The most recent capital raisings were completed in May 2014.

Below is a table that reflects all contractually fixed payment obligations and receivables for settlement, repayments and effective interest from financial assets and liabilities.

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Year ended 30 June 2014	< 6 months	6-12 months	12-18 months	> 18 months	TOTAL
Consolidated					
Financial Assets					
Cash and cash equivalents	3,808,562	-	-	-	3,808,562
Trade and other receivables	126,770	-	-	-	126,770
	3,935,332	-	-	-	3,935,332
Financial Liabilities					
Trade and other payables	220,546	-	-	-	220,546
	220,546	-	-	-	220,546
Net maturity	3,714,786	-	-	-	3,714,786

Year ended 30 June 2013	< 6 months	6-12 months	12-18 months	> 18 months	TOTAL
Consolidated					
Financial Assets					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
	-	-	-	-	-
Financial Liabilities					
Trade and other payables	-	-	-	-	-
Convertible Notes	-	-	-	-	-
	-	-	-	-	-
Net maturity	-	-	-	-	-

4. INCOME AND EXPENSES

	2014 \$	2013 \$
(a) Other Income		
Income - Interest Income	8,142	2
Debt release gain arising upon execution of the Deed of Company Arrangement ⁽¹⁾	-	2,240,152
	8,142	2,240,154

⁽¹⁾ On 24 August 2012 the Board resolved to place the Company into administration and Mr Laurie Fitzgerald and Mr Stephen Dixon were appointed Voluntary Administrators.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012. The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 24 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012 as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA is to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Notes to Consolidated Financial Statements (continued)

For the Year Ended 30 June 2014

4. INCOME AND EXPENSES (CONTINUED)

As a result of the execution of the Deed of Company Arrangement on 19 October 2012:

1. All creditors of the Company as at 24 August 2012 (including the Convertible Note) are beneficiaries of the Creditors Trust to be administered by the Deed Administrators;
2. The Creditors Trust has been transferred the following assets of the Company:
 - a. The "Assigned Property" being all of the Holding Company's right title and interest in and to the repayment by Virax Immunotherapeutics Pty Ltd of a loan of \$8,269,756, less any Net Proceeds received by the Company in connection with a Restructuring Transaction;
 - b. The "Net Proceeds" received by the Company in connection with the "Restructuring Transaction". Under the Reconstruction Deed, the "Net Proceeds" have been defined as being \$500,000 less the following:
 - i. the liabilities of the Company and its subsidiaries incurred subsequent to 24 August 2012 and still outstanding at Settlement or the Restructure;
 - ii. The cost of preparing consolidated financial reports for the Company and its subsidiaries for the reporting periods ended 30 June 2012, 31 December 2012 and 30 June 2013;
 - iii. The cost of the audit of those financial reports for 30 June 2012 and 31 December 2012;
 - iv. A fixed amount of \$15,000 in respect to the financial report for 30 June 2013.

This resulted in a debt release gain under the Deed of Company Arrangement of \$2,240,152 being recognised in the year ended 30 June 2013 as detailed below:

	2014 \$	2013 \$
Assets transferred to Creditors Trust		
Amount receivable from subsidiary company ^A	-	8,269,756
Deduct provision for non-recovery ^A	-	(8,269,756)
	-	-
Gain on creditor obligations released	-	2,240,152
Gain arising from Deed of Company Arrangement	-	2,240,152

A – Refer to point 2 above.

	2014 \$	2013 \$
(b) Employee benefits expense		
Wages and salaries	11,301	36,064
Superannuation expense	1,046	3,116
Other employee benefits expense	-	3,548
Termination costs	-	345,000
Share-based payment expense	43,464	-
	55,811	387,728
(c) Lease payments		
Lease payments - operating lease	60,000	14,092

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

5. INCOME TAX

Reconciliation between tax expense / (benefit) and the accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2014 \$	2013 \$
(Loss)/Profit before tax	(1,296,896)	1,787,000
Income tax (benefit)/expense at the statutory rate of 30% (2013: 30%)	(389,069)	536,100
Gain on debt release	-	(672,046)
Capital raising costs	(28,950)	-
Share based payments	13,039	-
Payment to creditors trust	114,055	-
Others	6,000	11,005
Net temporary differences not recognised	284,925	124,941
	-	-

Deferred Tax Asset not booked

Deferred tax assets are the amounts of income tax recoverable in future periods in respect of:

- the carry forward of unused tax losses;
- the carry forward of unused tax credits; and
- deductible temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, i.e. the amount recognised under tax law.

Deductible temporary differences are those that will result in amounts that are deductible in determining taxable profits or tax losses of future periods. The amount of deductible temporary differences recognised is limited to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As the Directors are unable to determine that future taxable profit meets the test of probability, the following items have not been recognised as deferred tax assets and liabilities in the statement of financial position as at the end of the financial year:

	2014 \$	2013 \$
Unrecognised deferred tax liabilities		
Intellectual property	403,315	-
Unrecognised Deferred tax assets		
Tax losses	284,925	-
Capital raising expenses	115,800	30,002
Other IP deductions	-	13,795
Differences in depreciation	-	10,724
Accruals	6,000	-
	406,725	54,521
Net deferred tax asset not recognised	3,410	-

Notes to Consolidated Financial Statements (continued)

For the Year Ended 30 June 2014

5. INCOME TAX (CONTINUED)

Summary of Carry Forward Loss Position

As at 30 June 2014, the VHL Group should be able to satisfy the continuity of ownership test and/or the continuity of business test in respect of all carried forward tax losses. In the future, the carried forward tax losses that may be available to offset future taxable income and the rate at which available tax losses may be utilised is impacted by business activities, including further equity raisings, that may occur between now and the time when such utilisation is to take place.

1. Concessional method in determining tax loss utilisation. These losses can only be utilised once the losses incurred by the VHL Group after 1 July 2003 have been used. Their availability is subject to the Group being able to satisfy the tax loss recoupment rules (either under the continuity of ownership test or the same business test).
2. Tax losses of \$11.1 million, incurred from 1 July 1999 to 30 June 2003, are able to be utilised at a rate determined by the tax legislation. The rate of utilisation of these tax losses may be reduced each time the Group undertakes an equity raising. Furthermore, they are subject to the tax loss recoupment rules and can only commence to be used once the Group has used all post 1 July 2003 and 3 year concessional method losses.
3. After taking into account the estimated tax losses incurred during the year ended 30 June 2014, the Group has tax losses of \$949,750 (2013: \$Nil) carried forward. These tax losses are known as "group losses", and whilst not currently restricted in the rate to which they may be utilised, their availability is subject to the Group being able to satisfy the tax loss recoupment rules. Tax losses do not expiry under the current legislation.

Tax Consolidation Regime

Virax Holdings Limited and its 100% owned Australian resident subsidiaries elected to form a tax consolidated group from 1 July 2003. The head entity, Virax Holdings Limited, continues to account for its own current and deferred tax amounts. In addition to its own current and deferred tax amounts, Virax Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits that are assumed from controlled entities in the tax consolidated group. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right. As no tax funding agreement is in place, the allocation of taxes to the head entity is recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

6. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

	2014 \$	2013 \$
Net (Loss)/Profit attributable to members used in calculating basic and diluted earnings per share	(1,296,896)	1,787,000
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	495,468,131	236,469,817
Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share:	495,468,131	236,469,817

There are 87,700,000 share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Note: The effect of dilution, due to outstanding options, is only calculated for those options when the weighted average exercise price of such options is below the market price.

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

7. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Cash at bank and in hand	3,808,562	-
	3,808,562	Nil

Cash at bank earns interest at floating rates based on daily bank deposit rates.

8. TRADE AND OTHER RECEIVABLES (CURRENT)

	2014	2013
	\$	\$
GST receivables	126,770	-
	126,770	Nil

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

9. PLANT AND EQUIPMENT

	2014	2013
	\$	\$
Cost		
Opening balance	-	111,693
Purchases for the period	-	-
Disposals	-	-
Closing Balance	-	111,693
Accumulated Depreciation		
Opening balance	-	(107,727)
Depreciation charged for the year	-	(1,928)
Provision for impairment	-	(2,038)
Disposals	-	-
Closing balance	-	(111,693)
Net book value of plant and equipment	-	-

10. INTANGIBLE ASSETS

	2014	2013
	\$	\$
Non-current		
Intellectual property @ cost	1,344,383	-
Accumulated amortisation and impairment	-	-
Net Carrying Value	1,344,383	-
Balance at beginning of year	-	-
Additions	1,344,383	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at end of year	1,344,383	-

10. INTANGIBLE ASSETS (CONTINUED)

On 30 May 2014, the Company completed the acquisition of Pathway Oncology Pty Ltd (Pathway). Pathway is the holder of an exclusive worldwide licence of certain intellectual property from Yale University and the University of South Florida. The intellectual property includes anti-cancer technology developed at Yale University in New Haven, Connecticut and the Moffitt Cancer Center in Florida, the third largest cancer center in the United States.

The technology is a novel cancer drug, GGTI-2418, that blocks the important cancer growth enzyme geranyl-geranyl transferase I (GGTase I) as well as Ral & Rho circuits in cancer cells, which are key oncogenic pathways for a cancer cell to survive and grow.

The acquisition of Pathway was accounted for as an "asset acquisition" under Australian Accounting Standards. The consideration paid for the acquisition of Pathway is as follows:

- (a) \$25,000 in cash plus 60,000,000 fully paid ordinary shares in Virax at settlement;
- (b) within 18 months from the date of settlement and subject to the re-activation or re-opening, or allowance, of an IND for any disease indication by US FDA (Milestone 1) , an additional 90,000,000 fully paid ordinary shares in Virax within 10 Business Days of such satisfaction; and
- (c) within 36 months from the date of settlement and subject to the dosing of the patient in a Phase Ib/II trial for any disease indication (Milestone 2), an additional 90,000,000 fully paid ordinary shares in Virax within 10 Business Days of such satisfaction.

At 30 May 2014, the Company had issued 60,000,000 fully paid ordinary shares in Virax to the Pathway shareholders. The fair value of the intellectual property has been determined by reference to fair value of share issued in accordance with AASB 2: *Share Based Payment*, including an allowance for the share to be issued subject to the satisfaction of milestones 1 and 2. The fair value of the underlying Intellectual property , being GGTI-2418 has been measured by reference to the fair value of share issued in accordance with AASB 2 as the Group at this point in time does not have sufficient information to accurately measure the value of GGTI-2418.

The fair value of the shares issued (and to be issued) was determined by reference to the share price on the date the acquisition of Pathway was settled i.e 30 May 2014. The directors are of the opinion that Milestones 1 & 2 are likely to occur within the timeframes designated and accordingly, shares to be issued under Milestone 1 & 2 were taken into account in determining the fair value of the share issued at settlement.

Milestone 1 & 2 are considered "non-vesting conditions" and accordingly, were taken into account in determining the fair value of the shares issued at settlement.

Intangible assets have finite useful lives. The Company is in the process of determining the useful lives of its intangible assets.

11. TRADE AND OTHER PAYABLES (CURRENT)

	2014	2013
	\$	\$
Other creditors (i)	217,429	-
Deferred Director fees and Executive remuneration	3,117	-
Wages Accruals	12,347	-
Other Accruals	20,000	-
	252,893	Nil

Terms and conditions relating to the above financial instruments:

- (i) Creditors are non-interest bearing and are normally settled on 30-day terms

As detailed in Note 26, Virax Holdings Ltd has assigned the receivable it had from Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less certain adjustments as detailed in Note 13) to the Trustees of the Creditors Trust. In accordance with Australian Accounting Standards, the assignment of the loan to the Creditors Trust is considered to be a financial liability for Virax Holdings Ltd.

The loan receivable from Virax Immunotherapeutics Pty Ltd is expected to be repaid from receipts from the Transgene asset held by it. At 31 December 2013, the directors of Virax Holdings Ltd have assessed that the likelihood of any receipts from the Transgene asset is remote and accordingly, the fair value of the financial liability on initial recognition was been assessed to be Nil (2013: Nil).

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

12. CONTRIBUTED EQUITY

	30 June 2014		30 June 2013	
	Number of Securities	\$	Number of Securities	\$
Issued and paid up capital				
Ordinary shares fully paid	920,947,371	42,496,592	236,469,817	36,216,338
(a) Movements in shares				
Beginning of the financial year	236,469,817	36,216,338	236,469,817	36,216,338
Issued during the year:				
– Consolidation of shares	(212,822,446)	-	-	-
– Issued on 14 November 2013 for the placement of shares	525,000,000	2,501,250	-	-
– Issued on 10 December 2013 for the exercise of options	2,000,000	10,000	-	-
– Issued on 18 February 2014 for the exercise of options	2,800,000	14,000	-	-
– Issued on 26 March 2014 for the exercise of options	7,500,000	37,500	-	-
– Issued on 19 May 2014 for the placement of shares	300,000,000	3,000,000	-	-
– Issued on 30 May 2014 for the acquisition of Pathway Oncology	60,000,000	1,200,000	-	-
	920,947,371	42,979,088	-	-
Less transaction costs	-	(482,496)	-	-
End of financial year	920,947,371	42,496,592	236,469,817	36,216,338

(b) Movement in Listed Options

There were no listed options as at 30 June 2014 (2013: Nil).

(c) Unlisted Options

	Consolidated			
	No of Options \$	Issue Date	Expiry Date	Exercise Price \$
At 1 July 2013	Nil			
Issued pursuant capital raising ⁽ⁱ⁾				
Issued during the financial year	100,000,000	25-Sep-13	12-Oct-17	0.005
Exercised during the financial year	- 12,300,000	25-Sep-13	12-Oct-17	0.005
Closing balance	87,700,000	25-Sep-13	12-Oct-17	0.005
Issued pursuant compensation of Key Management Personnel (Note				
Issued during the financial year	40,000,000	16 June 2014	16 June 2018	0.008
Exercised during the financial year	-	-	-	-
Closing balance	40,000,000	16 June 2014	16 June 2018	0.008
At 30 June 2014	127,700,000			

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

12. CONTRIBUTED EQUITY (CONTINUED)

	No of Options \$	Issue Date	Expiry Date	Exercise Price \$
At 1 July 2012	Nil			
Issued during the financial period	-	N/A	N/A	N/A
Exercised during the financial period	-	N/A	N/A	N/A
At 30 June 2013	Nil			

(i) The 100,000,000 options were issued on 25 September 2013 pursuant to the prospectus lodged with ASX on 18 September 2013 to raise \$1,000 in line with the recapitalisation of the Company as approved by the shareholders on 24 July 2013

(d) Partly Paid Shares

There were no partly paid shares outstanding at the end of the current financial year (2013: Nil).

(e) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Group, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

In accordance with the Constitution and subject to any rights and restrictions for the time being attached to any class of shares:

- i) on a show of hands at a meeting of members, each member present in person or by proxy, attorney or Representative has one vote; and
- ii) on a poll at a meeting of members, each member present in person or by proxy, attorney or Representative has one vote for each fully paid share and a fraction of a vote for each partly paid share. The fraction is the proportion which the amount paid on the partly paid share is of the full issue price of such share.

For the purposes of calculating the fraction of a vote under paragraph ii), an amount paid in advance on a partly paid share shall be ignored.

Options referred to in the following tables are, unless otherwise noted, unlisted options granted by the Group in respect to the acquisition of unissued Virax Holdings Limited ordinary shares.

There are no rights that the option holders have under the options to participate in any share issue of the Group.

13. RESERVES

	2014 \$	2013 \$
Share based payments reserve		
At the beginning of the period	-	-
Fair value of options granted during the year	43,464	-
At reporting date	43,464	Nil

The share based payments reserve is used to recognise the fair value of options issued to employees

Notes to Consolidated Financial Statements (continued)

For the Year Ended 30 June 2014

14. CAPITAL MANAGEMENT

As it is common with most small biotechnology companies developing their technology, the management of capital is focused on maintaining the entity as a going concern in order to maintain optimal returns for shareholders and benefits for other stakeholders. To execute its longer term plans, it is necessary to raise additional capital and restructure the Company's affairs as and when necessary.

15. CASH FLOW STATEMENT RECONCILIATION

	2014 \$	2013 \$
(a) Reconciliation of the (loss)/profit after tax from ordinary activities to net cash flows used in operations		
(Loss)/Profit from ordinary activities after tax	(1,296,896)	1,787,000
Non-Cash Items		
Debt release gain arising upon execution of Deed of Company Arrangement	-	(2,240,152)
Share based transaction expenses		
Share option expense	43,464	-
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(126,770)	32,646
(Decrease)/Increase in trade, other creditors	240,546	391,326
Increase in provision for employee entitlements	12,347	-
Net cash flow used in operating activities	(1,127,309)	(29,180)

16. AUDITOR'S REMUNERATION

	2014 \$	2013 \$
Amounts received or due and receivable by the auditors, from entities in the economic entity:		
Audit and review of financial statements	27,000	-
	27,000	Nil

The Auditor's Remuneration for 2013 was a cost of the Creditors Trust under the Restructuring Deed.

17. RELATED PARTY DISCLOSURES

Related Party Information

(a) Parent Entity

The parent entity within the Group is Virax Holdings Limited.

(b) Subsidiaries

Interest in subsidiaries is set out in Note 18.

(c) Key management personnel

Disclosures relating to Directors and executives are set out in Note 19.

(d) Transactions and balances with key management personnel

Disclosures relating to transactions with related parties are set out in Note 19.

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

18. SUBSIDIARIES

Parent Entity	Country of Incorporation	2014 %	2013 %
Virax Holdings Limited	Australia	100%	100%
Virax Immunotherapeutics Pty Ltd	Australia	100%	100%
Pathway Oncology Pty Ltd ⁽¹⁾	Australia	100%	N/a

⁽¹⁾ Pathway Oncology Pty Ltd was acquired on 30 May 2014.

19. KEY MANAGEMENT PERSONNEL

a) Details of Key Management Personnel

Directors		
W. Millen	– Chairman (executive)	(Appointed 30 August 2013)
R. Combie	– Managing Director (executive)	(Appointed 18 June 2014)
P. Hopper	– Director (executive)	(Appointed 30 May 2014)
R. Toder	– Director (non-executive)	(Appointed 30 August 2013)
B. de Kauwe	– Director (non-executive)	(Appointed 30 August 2013)
M. Humphris	– Chairman (non-executive)	(Resigned 30 August 2013)
I. Pyman	– Director (non-executive)	(Resigned 30 August 2013)
J. Morrison	– Director (executive)	(Appointed 13 March 2012, Resigned 30 August 2013)

(b) Compensation for Key Management Personnel

	2014 \$	2013 \$
Short – term paid	167,801	-
Short – term deferred	-	58,571
Post - employment	-	345,000
Superannuation	1,046	4,822
Share - based payment benefits	43,464	-
	\$212,311	\$408,393

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

19. KEY MANAGEMENT PERSONNEL (CONTINUED)

Shareholdings of Key Management Personnel.

30-Jun-14	Balance as at 1 Jul 13	Granted as Remuneration	On Exercise of Options	Impact of recapitalisation	Additions/ (Disposals)	Balance as at 30 Jun 14
Directors						
W. Millen (I)	Nil	-	-	-	25,000,000	25,000,000
R Crombie (II)	Nil	-	-	-	-	Nil
P. Hopper (III)	Nil	-	-	-	35,640,000	35,640,000
R Toder (I)	Nil	-	-	-	-	Nil
B. de Kauwe (I)	Nil	-	-	-	12,400,000	12,400,000
M. Humphris (IV)	10,643,846	-	-	(9,579,461)	-	1,064,385
I. Pyman (IV)	7,568,844	-	-	(6,811,959)	-	756,885
J Morrison (IV)	Nil	-	-	-	-	Nil
Executives						
L. Ward (V)	Nil	-	-	-	-	Nil
Total	18,212,690	Nil	Nil	(16,391,420)	73,040,000	74,861,270

(I) - Appointed 30 August 2013

(II) - Appointed 16 June 2014

(III) - Appointed 2 June 2013

(IV) - Resigned 30 August 2013

(V) - Resigned 30 August 2013

30-Jun-13	Balance as at 1 Jul 12	Granted as Remuneration	On Exercise of Options	Impact of recapitalisation	Additions/ (Disposals)	Balance as at 30 Jun 13
Directors						
M. Humphris	10,643,846	Nil	Nil	Nil	Nil	10,643,846
I. Pyman	7,568,844	Nil	Nil	Nil	Nil	7,568,844
J Morrison	Nil	Nil	Nil	Nil	Nil	Nil
Executives						
L. Ward	Nil	Nil	Nil	Nil	Nil	Nil
Total	18,212,690	Nil	Nil	Nil	Nil	18,212,690

Listed Option holdings of Key Management Personnel

Key management personnel have no listed option holdings at any time during or at the end of the year.

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

19. KEY MANAGEMENT PERSONNEL (CONTINUED)

Unlisted Option holdings of Key Management Personnel.

30-Jun-14	Balance at Beginning of Period		1 Jul 13 to 30 Jun 14				Balance at End of Period	
	01-Jul-13		Granted as Remuneration	Options Vested	Options Exercised	Net Change Other ⁽¹⁾	30-Jun-14	
	Vested	Unvested					Vested	Unvested
Directors								
W Millen (I)	Nil	Nil	-	-	-	7,000,000	7,000,000	Nil
R. Crombie (II)	Nil	Nil	40,000,000	-	-	-	Nil	40,000,000
P. Hopper (III)	Nil	Nil	-	-	-	-	Nil	Nil
R. Toder (I)	Nil	Nil	-	-	-	2,000,000	2,000,000	Nil
B. de Kauwe (I)	Nil	Nil	-	-	-	5,000,000	5,000,000	Nil
M Humphris (IV)	Nil	Nil	-	-	-	-	Nil	Nil
Ian Pyman (IV)	Nil	Nil	-	-	-	-	Nil	Nil
J. Morrison (IV)	Nil	Nil	-	-	-	-	Nil	Nil
Executives	Nil	Nil	-	-	-	-	Nil	Nil
L. Ward (V)	Nil	Nil	-	-	-	-	Nil	Nil
Total	Nil	Nil	40,000,000	Nil	Nil	14,000,000	14,000,000	40,000,000

(I) - Appointed 30 August 2013

(II) - Appointed 16 June 2014

(III) - Appointed 2 June 2013

(IV) - Resigned 30 August 2013

(V) - Resigned 30 August 2013

30-Jun-13	Balance at Beginning of Period		1 Jul 12 to 30 Jun 13				Balance at End of Period	
	01-Jul-12		Granted as Remuneration	Options Vested	Options Exercised	Net Change Other	30-Jun-13	
	Vested	Unvested					Vested	Unvested
Directors								
M Humphris	500,000	Nil	-	-	-	(500,000)	Nil	Nil
Ian Pyman	375,000	Nil	-	-	-	(375,000)	Nil	Nil
J. Morrison	Nil	Nil	-	-	-	-	Nil	Nil
Executives								
L. Ward	Nil	Nil	-	-	-	Nil	Nil	Nil
Total	875,000	Nil	-	-	-	(875,000)	Nil	Nil

⁽¹⁾ Net other change relate to options acquired by Key Management Personal as part of the capital raising completed by issue of 100,000,000 options on 25 September 2013 pursuant to the prospectus lodged with ASX on 18 September 2013 to raise \$1,000 in line with the recapitalisation of the Company as approved by the shareholders on 24 July 2013 (refer to Note 26 for further details).

There were no loans to KMP at any time during the financial year (2013: Nil).

20. OPERATING SEGMENTS

Virax operates within one segment, being the development of biotechnology, within Australia.

21. EVENT AFTER THE BALANCE DATE

No matters or circumstances has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

22. SHARE-BASED PAYMENTS

On 15 May 2014 Dr Rob Crombie was appointed Managing Director of the Company effective from 16 June 2014. As stated in the ASX Announcement of that date, Dr Crombie entered into an Executive Services Agreement commencing 16 June 2014 which includes long-term incentives (LTI). Subject to shareholder approval, Dr Crombie will be awarded the LTI in the form of options over ordinary shares in the Company. The key terms of the proposed offer are as follows:

- A maximum of 40m options issued following shareholder approval.
- The exercise price will be the closing price of VHL's shares on the ASX on the date of Shareholder approval. All options shall have an expiry date that is four years from their date of grant.
- The options will vest in four tranches, subject to the conditions as outlined;
 - Tranche 1 – (10m options) on commencement with the Company and will vest if the share price equals/exceeds 1.5 cents over ten trading days in any twenty sequential trading days out of sixty days at any time after grant.
 - Tranche 2 - (10m options) will vest if the share price equals/exceeds 3 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is one year after the date of grant and if Dr Crombie is still an employee two years after grant.
 - Tranche 3 (10m options) will vest if the share price equals/exceeds 4 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is two years after the date of grant and if Dr Crombie is still an employee three years after grant.
 - Tranche 4 (10m options) will vest if the share price equals/exceeds 6 cents over ten trading days in any twenty sequential trading days out of sixty days either side of the date which is three years after the date of grant and if Dr Crombie is still an employee four years after grant.

For the purposes of calculating the expense arising from the Company's requirement to issue the options to Dr Crombie, the Company has assumed a grant date of commencement of the executive services agreement, being 16 June 2014. Using Monte Carlo simulations, the 40,000,000 options are assumed to have an expected price volatility factor of 113% and an approximate risk free interest rate of 2.50%. The options have an exercise price of \$0.008.

The model inputs for options granted during the year ended 30 June 2014 included:

- (a) Options are granted for no consideration and vested based on the conditions outlined above. Vested options are exercisable for a period of four years after vesting.
- (b) Exercise price: \$0.006
- (c) Grant date: 16 June 2014
- (d) Expiry date: 15 June 2018
- (e) Share price at grant date: \$0.006
- (f) Expected price volatility of the company's shares: 113%
- (g) Expected dividend yield: 0%
- (h) Risk free interest rate: 2.50%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Notes to Consolidated Financial Statements (continued)
For the Year Ended 30 June 2014

22. SHARE-BASED PAYMENTS (CONTINUED)

Set out below is a summary of options granted:

Director	Number of Options granted	Date of grant	Average Fair Value per Option at Grant Date	Exercise Price	Expiry Date	% Vested
R Crombie – first tranche	10,000,000	16 June 2014	\$0.0042	\$0.006	16 June 2018	0%
R Crombie – second tranche	10,000,000	16 June 2014	\$0.0038	\$0.006	16 June 2018	0%
R Crombie – third tranche	10,000,000	16 June 2014	\$0.0035	\$0.006	16 June 2018	0%
R Crombie – fourth tranche	10,000,000	16 June 2014	\$0.0030	\$0.006	16 June 2018	0%

Total expense arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2014	2013
	\$	\$
Equity-Settled Share Base payments	43,464	-
	43,464	Nil

Other than the above and the consideration for the acquisition of Pathway Oncology Pty Ltd (detailed in Note 10), no other share based payment transaction were undertaken by the Group.

Movements during the year

The following table illustrates the movement in options issued to Key Management Personnel as compensation:

	2014	Weighted average exercise prices	2013	Weighted average exercise prices
	\$		\$	
Outstanding at 1 July	-	-	-	-
Granted during the year	40,000,000	\$0.006	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 30 June	40,000,000	\$0.006	-	-

23. LEASE EXPENDITURE COMMITMENTS

Virax currently leases office space on a quarterly basis, which can be terminated at any time. The Company has no lease expenditure commitments.

24. CO-X-GENE™ TECHNOLOGY LICENSE

The Company's subsidiary (Virax Immunotherapeutics Pty Ltd) licensed its Co-X-Gene™ technology to the French public company – Transgene SA in April 2007. Under this licence the Company is entitled to participate in milestone payments and royalties received by Transgene in program/products that utilise the Co-X-Gene™ technology. The Company is entitled to receive up to a further \$US9 million in milestones.

The developments in the two Transgene programs (TG4001 and TG4010) covered by the licence during the financial period were:

TG4001 The licence agreement with Roche of April 2007 was terminated by Roche on 22 February 2011 for strategic reasons, notably prior to the completion of Phase II clinical testing and the availability of any data. This trial completed in Q4 2011, with the results released in Q4 2011/Q1 2012. Transgene announced that they propose to seek a new partner for this program prior to undertaking further clinical testing. This program has been partnered with EORTC in which TG4001 will be administered in combination with chemo-radiotherapy in patients with HPV16 positive cancer of the oro-pharynx. Any funds Transgene receives during the commercialisation of TG4001 covered by the Virax Co-X-Gene technology Sub-licence; would result in a potential licence payment to the Company.

TG4010 Transgene continues to develop TG4010 with preliminary results from the Phase IIb part of the Phase IIb /III TIME trial, released in January 2014 and updated in May 2014 showing the drug to be well-tolerated with promising results in patients with advanced non-small cell lung cancer (NSCLC). Transgene reiterated that "Finding a partner for TG4010 remains our primary corporate objective for the upcoming months. Any funds Transgene were to receive upon exercise of a partnering licence during the term of the Virax Co-X-Gene™ technology Sub-licence would result in a licence payment to the Company.

The initial receipts of any net milestone payment made by Transgene will be to the Virax Holdings Creditors Trust, limited to the amount of the Assigned Loan less the proceeds received from the Restructuring Deed.

25. CONTINGENT LIABILITIES

There are no contingent liabilities that need disclosure in the financial statements of the Group.

26. DEED OF COMPANY ARRANGEMENT AND RESTRUCTURING DEED

On 24 August 2012 the Board resolved to place the Company into administration and Mr Laurie Fitzgerald and Mr Stephen Dixon were appointed Voluntary Administrators.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012.

The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 28 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012, as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Following the Administrators' appointment, expressions of interest were sought from third parties for the reconstruction and recapitalisation of the Company.

Reconstruction of the Company

On 26 February 2013 (as amended on 21 June 2013) the Company, the Deed Administrators and Otsana Capital entered into a Reconstruction Deed, which embodied a Recapitalisation Proposal.

26. DEED OF COMPANY ARRANGEMENT AND RESTRUCTURING DEED (CONTINUED)

The Recapitalisation Proposal (as contained in the Explanatory Statement of 30 July 2013) involved the following:

- (a) The Company consolidated its existing securities on a one (1) for ten (10) basis, rounded to the nearest whole number (Consolidation). This occurred on 11 September 2013.
- (b) The Company issued the following securities under a transaction specific prospectus on 14 November 2013:
 - (i) 25,000,000 fully paid ordinary shares in the Company (Shares) issued at a price of \$0.00001 each raising \$250 (on a post-Consolidation basis) (Proponent Shares);
 - (ii) 500,000,000 Shares at an issue price of \$0.005 each raising \$2,500,000 (on a post-Consolidation basis) (General Placement Shares); and
 - (iii) 100,000,000 unquoted Options exercisable at an exercise price of \$0.005 each on or before 12 October 2017 at an issue price of \$0.00001 each, raising \$1,000 (on a post-Consolidation basis) (Proponent Options).
- (c) These securities were issued to persons nominated by Otsana to receive securities in the Company, in accordance with Resolution 2 of the Notice of Meeting dated 24 July 2013, and their associates (together, the Proponent Nominees). The proposed new directors of the Company, Dr. Brendan de Kauwe, Dr. Wayne Millen and Dr. Roland Toder (together the Proposed Directors) and their associates, participated as Proponent Nominees up to a maximum allocation as specified in the accompanying Explanatory Statement.
- (d) Of the funds raised from the issue of these securities, the Company paid \$500,000, subject to reduction of that amount to the extent of certain Virax Group liabilities which may be incurred up to Settlement of the Reconstruction Deed that will not be paid by the Trustees of the Creditors' trust created in accordance with the DOCA and certain additional audit and other costs associated with the Virax Group's financial accounts and reports up until the financial year ended 30 June 2013 (Cash Consideration), to the Trustees of the Creditors' Trust.
- (e) The Proposed Directors were appointed to the board of directors of the Company immediately upon the Recapitalisation Resolutions being passed at the Meeting. Following appointment of the Proposed Directors, the Company's existing Directors resigned.

The Reconstruction Deed was subject to a number of conditions, including obtaining necessary shareholder approvals.

These shareholder approvals were provided in a general meeting on 30 August 2013.

The Prospectus was issued on 19 September 2013. The Company announced on 25 October 2013 that it had completed the recapitalisation proposal after receiving subscriptions in excess of the proposed maximum \$2,500,000 capital raising with the issue of the following securities:

- 500,000,000 ordinary shares of \$0.005 each raising \$2,500,000;
- 25,000,000 ordinary shares at \$0.00001 each raising \$250; and
- 100,000,000 unlisted options exercisable within 4 years at \$0.005 per ordinary share raising \$1,000.

At the time the Cash Consideration was paid to the Creditors' Trust (which occurred upon Settlement of the Reconstruction Deed):

1. the Deed Administrators perfected the assignment to the Creditors' trust of the Company's loan receivable from its subsidiary Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less the Cash Consideration) as described in paragraph (d) above;
2. DOCA was terminated;
3. all admitted claims against the Company arising on or before 24 August 2012 (Claims) were released and compromised with those creditors' with Claims (Creditors) instead entitled to rights in respect of the Creditors' Trust; and
4. the Company retained its main business undertaking.

Following finalisation of all outstanding compliance matters on 13 November 2013, the Deed of Company Arrangement was fully effectuated and the Deed Administrators retired.

The Company sought the reinstatement to trading of its Shares on the ASX, and this was granted on 19 November 2013.

27. FAIR VALUE

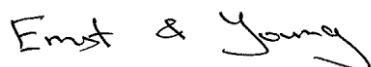
The fair value of financial assets and liabilities of the consolidated entity approximate their carrying value. The consolidated entity has no financial asset or liabilities where the carrying value of amount exceeds the net fair value at balance date.

28. OTHER INFORMATION

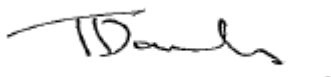
Domicile:	C/- FJH Solutions, 21 Teddington Road, Burswood, WA, 6100
Legal Form:	Incorporated public company, limited by shares
Country of Incorporation:	Australia

Auditor's Independence Declaration to the Directors of Virax Holdings Limited

In relation to our audit of the financial report of Virax Holdings Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



T G Dachs
Partner
29 August 2014

In accordance with a resolution of the directors of Virax Holdings Limited, I state that -

In the opinion of the directors:

- (a) The financial statements, notes of Virax Holdings Limited for the financial year ended 30 June 2014 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



W Millen
Chairman
Perth

Dated **29 August 2014**

Independent auditor's report to the members of Virax Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Virax Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

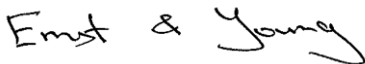
- a. the financial report of Virax Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

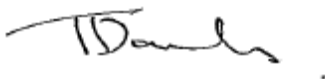
We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Virax Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



T G Dachs
Partner
Perth
29 August 2014