

# Viralytics Limited Notice of Annual General Meeting 2016

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Commencing 11.00am on  
Wednesday, 23 November 2016  
at the offices of McCullough Robertson  
Level 32, MLC Centre,  
19-29 Martin Place  
SYDNEY NSW

Notice is given that the Annual General Meeting (*AGM*) of shareholders of Viralytics Limited ABN 12 010 657 351 (the *Company*) will be held at the Offices of McCullough Robertson, Level 32, MLC Centre, 19-29 Martin Place, Sydney, New South Wales on Wednesday, 23 November 2016 commencing at 11.00am.

## **A. CONSIDERATION OF REPORTS**

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report of the Company for the financial year ended 30 June 2016.

Unless the Company's Share Registry has been notified otherwise, shareholders will not be sent a hard copy of the Annual Report. All shareholders can view the Annual Report, which contains the Financial Report for the year ended 30 June 2016 on the website of the Company ([www.viralytics.com](http://www.viralytics.com)), under "Investor Centre / Financial Reports".

## **B. QUESTIONS AND COMMENTS**

Following consideration of the reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give shareholders a reasonable opportunity to ask the Company's Auditor, Grant Thornton, questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Audit Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

## **C. ITEMS FOR APPROVAL**

### **1. Re-election of Mr Peter Turvey**

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*"That Peter Turvey, having retired in accordance with clause 19.3(b) of the Company's Constitution, and having offered himself for re-election and being eligible, is hereby re-elected as a Director of the Company."*

### **2. Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an advisory resolution of the Company:

*"That, the Company's Remuneration Report for the financial year ended 30 June 2016 (set out in the Directors' Report) be adopted."*

### **3. Approval of Viralytics Equity Incentive Plan**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That, for the purpose of Listing Rule 7.2, Exception 9(b), section 260C(4) of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the issue of securities under the Viralytics Limited Equity Incentive Plan on the terms described in the Explanatory Statement that forms part of the Notice of Meeting."*

### **4. Approval for the issue of Options to Mr Paul Hopper**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, the issue of 266,000 Options in the capital of the Company to Mr Paul Hopper (or his nominee), the terms of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting, is approved."*

### **5. Approval for the issue of Options to Dr Leonard Post**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, the issue of 200,000 Options in the capital of the Company to Dr Leonard Post (or his nominee), the terms of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting, is approved."*

### **6. Approval for the issue of Options to Mr Peter Turvey**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*"That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, the issue of 200,000 Options in the capital of the Company to Mr Peter Turvey (or his nominee), the terms of which are set out in the Explanatory Memorandum accompanying this Notice of Meeting, is approved."*

### **7. Ratification of Shares issued – Placement**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue on 21 December 2015 of a total of 46,118,270 fully paid ordinary shares in Viralytics Limited (**Shares**) at an issue price of \$0.615 per Share, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is ratified."*

### **8. Additional Share Issue Capacity under ASX Listing Rule 7.1A**

To consider and, if thought fit, pass the following resolution as a special resolution of Shareholders of the Company:

*"That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

## VOTING RESTRICTIONS AND EXCLUSION STATEMENTS

### Resolution 2

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a member of the key management personnel (**KMP**) whose remuneration details are included in the 2016 Remuneration Report; or
- a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 3 as a proxy if the vote is not cast on behalf of a person described above and either:

- the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- the vote is cast by the chair of the meeting and the appointment of the chair as proxy:
  - i. does not specify the way the proxy is to vote on the resolution; and
  - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

“Key management personnel” and “closely related party” have the same meaning as set out in the *Corporations Act 2001*.

### Resolutions 3, 4, 5 and 6

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 3, 4, 5 or 6 by any director of the Company who is eligible to participate in the Viralytics Equity Incentive Plan, their nominees (if applicable) and their associates.

However, the Company need not disregard a vote cast on Resolutions 3, 4, 5 or 6 if:

- a. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Resolutions 3, 4, 5 or 6 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting because Viralytics’ proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

### Resolution 7

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7 by any person who participated in the Placement and any associates of those persons.

However, the Company need not disregard a vote cast on Resolution 7 if:

- a. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **Resolution 8**

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 8 by a person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed and any associates of such persons. At this point in time, there are no potential allottees to whom shares may be issued under this Resolution.

However, the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board



**Sarah Prince**  
**Company Secretary**  
21 October 2016

## ENTITLEMENT TO ATTEND AND VOTE

In accordance with Reg 7.11.37 of the Corporations Regulations 2001, the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Sydney time) on 21 November 2016 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

### **Voting By Proxy**

If you are a shareholder entitled to attend and vote at the AGM, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the *Corporations Act 2001* (***the Act***) to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company no later than 11.00am (Sydney time) on 21 November 2016. Proxies must be received before that time by one of the following methods:

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Online:	<a href="http://www.investorcentre.linkmarketservices.com.au">www.investorcentre.linkmarketservices.com.au</a> Login to the Link website using the details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online voting facility, Securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).
By post:	Link Market Services Limited Locked Bag A14 Sydney South NSW 1235
By facsimile:	In Australia (02) 9287 0309 From outside Australia +61 2 9287 0309
By delivery:	Link Market Services Limited Level 12, 680 George Street Sydney South NSW 2000

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To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

### **Voting by Attorney**

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 11.00am (Sydney time) on 21 November 2016 being 48 hours before the AGM.

## **Corporate Representatives**

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative.

**IMPORTANT:** If you appoint the Chairman of the Meeting as your proxy, or the Chairman becomes your proxy by default, and you do not direct your proxy how to vote on Resolutions 2, 3, 4, 5 and 6, then by submitting the proxy form you will be expressly authorising the Chairman to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

## **SHAREHOLDER QUESTIONS**

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), select Voting then click 'Ask a Question', or alternatively submit the enclosed AGM Question Form.

To allow time to collate questions and prepare answers, please submit any questions by 5.00pm (Sydney time) on Wednesday, 16 November 2016. Questions will be collated and, during the AGM, the Chairman will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

## **ENCLOSURES**

Enclosed are:

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Viralytics' share registry's website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to ensure the timely and cost effective receipt of your proxy;
- a reply paid envelope for you to return your proxy form.

## **EXPLANATORY MEMORANDUM**

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This Explanatory Memorandum has been prepared to assist Viralytics shareholders (**Shareholders**) to understand the business to be put to Shareholders at the Company's 2016 Annual General Meeting.

Resolutions 1, 3, 4, 5, 6 and 7 are ordinary resolutions, which require a simple majority of votes cast by shareholders present and entitled to vote on the resolution. Resolution 2 relating to the Remuneration Report is advisory and does not bind the Directors or the Company. Resolution 8 is a special resolution, which requires that at least 75% of the votes cast by shareholders present and entitled to vote be cast in favour of the resolution.

### **RESOLUTION 1: RE-ELECTION OF MR PETER TURVEY**

Mr Peter Turvey was appointed as a director of the Company on 8 September 2014 and was most recently re-elected at the 2014 Annual General Meeting of the Company. In accordance with clause 19.3 of the Company's constitution, Mr Turvey retires and, being eligible, offers himself for re-election as a Director. Mr Turvey is an independent, Non-Executive Director, Chairman of the Audit & Risk Committee and a member of the Remuneration & Nomination Committee.

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

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

#### **Directors' Recommendation**

The Directors, with Mr Turvey abstaining, recommend that Shareholders vote in favour of Resolution 1.

### **RESOLUTION 2: REMUNERATION REPORT**

Section 250R(2) of the Corporations Act 2001 (Cth) (the **Act**) requires that the section of the Directors' Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of shareholders for adoption by way of a non-binding vote.

Broadly, the Remuneration Report details the remuneration policy for the Company and:

- explains the structure of and rationale behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- discusses the relationship between the policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available from page 21 in the Company's Annual Report which can be viewed in the "Investor Centre / Financial Reports" section of the Company's website ([www.viralytics.com](http://www.viralytics.com)).

Following consideration of the Remuneration Report, the Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors of the Company. However the Board will take the outcome of the vote into account in setting remuneration policy for future years.



## **Directors' Recommendation**

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to Resolution 2.

## **RESOLUTION 3: APPROVAL OF EQUITY INCENTIVE PLAN**

The Company seeks Shareholder approval for the approval of the Viralytics Limited Equity Incentive Plan (**Plan**). The Plan was previously approved by Shareholders at the 2013 Annual General Meeting. Resolution 3 seeks to refresh Shareholder approval for a further three years so that securities issued under the Plan are not included within the limit of 15% of issued shares that can be issued without Shareholder approval.

### **Background**

In line with the Company's remuneration philosophy, the Board believes that an equity-based incentive is a key component of the "at risk" remuneration arrangements for Directors and employees. As such, the Directors of the Company seek authorisation to issue Plan Interests (defined below) under the Plan in accordance with ASX Listing Rule 7.2, exception 9(b) so that any Plan Interests issued under the Plan are excluded from the maximum number of new Equity Securities that may be issued by the Company in any 12 month period for a period of three years from the date of approval. The Board considers it desirable to maintain this flexibility so that it may access capital under ASX Listing Rule 7.1 through subsequent issues as required.

The Company is also seeking Shareholder approval of the Plan so that it may obtain the benefit of the exemption in section 260C(4) of the Corporations Act for financial assistance provided under an employee share scheme approved by shareholders. The Plan to be approved at the AGM is on substantially the same terms and design of the 2013 Plan approved by Shareholders at the 2013 Annual General Meeting.

### **Overview of the Equity Incentive Plan**

The Board believes that an appropriately designed long-term incentive is an important component of the Group's remuneration arrangements. The Plan is a key tool to allow the Group to attract and retain talented Directors, executives, managers and employees and ensure that the interests of Directors and employees are aligned with those of Shareholders in creating long-term Shareholder value.

The Company's remuneration philosophy is to ensure that the level and composition of remuneration is competitive, reasonable and appropriate to attract, retain and motivate the Directors and employees with the skills required to deliver the Company's strategy.

In order to provide a long-term incentive that continues to align employees and Directors with the Company's strategies, a flexible equity-based plan has been established to allow the Board to grant different types of performance-based awards depending on the prevailing circumstances. The Plan has been designed with maximum flexibility to deliver different securities from time-to-time (depending on the participant base) with performance measures commensurate with the Company's key business drivers at the time of award.

Under the Plan, the Company may grant appropriately structured long-term incentive awards to Eligible Persons (described below). The Plan will provide the Board with flexibility to grant equity incentives to Eligible Persons in the form of Plan Shares, Performance Rights or Options (**Plan Interests**) that will vest only on the satisfaction of appropriate hurdles.

The structure of the Plan provides the Board (with the appropriate Shareholder approvals) the flexibility to offer remuneration comprised of both cash and Plan Interests, including for example, issuing Plan Interests in lieu of cash payments, allowing the Board to conserve its cash reserves when it is appropriate to do so (refer to Resolutions 5, 6 and 7 further below).

A summary of the terms of the Plan is set out below.

Further information about the Company's remuneration governance and executive remuneration policy and framework is set out in the Company's Remuneration Report in the 2016 Annual Report.

### **Key terms of the Plan**

The Board is empowered under the Plan terms and conditions to determine the key terms of any Plan Interest allocated under the Plan.

#### *Eligibility*

The Plan is open to eligible persons, namely employees, contractors, consultants and Directors of the Company or any other person whom the Board determines to be eligible to participate in the Plan from time to time (**Eligible Person**).

#### *Participation*

Each Eligible Person who acquires a legal or beneficial interest in a Plan Interest (including the legal personal representative of the person) becomes a **'Participant'** in the Plan.

#### *Invitation*

An offer by the Board to acquire a Plan Interest and become a Participant in the Plan will be in such form and subject to such conditions as the Board determines.

The invitation will specify the terms attaching to the offer, including each of the following (as applicable):

- the number or value of Plan Interests to which the invitation relates and/or the basis on which the number or value of Plan Interests to which the invitation relates is to be determined;
- the date the Plan Interests will be allotted;
- any amount payable by an Eligible Person to acquire the Plan Interests;
- the date which unvested Plan Interests will lapse or expire (**Expiry Date**);
- any conditions that must be satisfied in relation to a Participant's or the Company's performance during a specified period (**Performance Conditions**);
- any conditions that will result in the forfeiture of a Plan Interest (**Forfeiture Conditions**);
- any conditions that must be satisfied before a Plan Share can be disposed of by a Participant (**Disposal Restrictions**);
- any holding lock period; and
- any exercise price payable by Participants.

#### *Rights of Participants*

Unless Forfeiture Conditions are triggered or the Expiry Date reached, Plan Interests remain subject to the terms and conditions of the Plan until all applicable Performance Conditions and Disposal Restrictions are achieved.

Where Options or Performance Rights have been granted, and eventually vest and exercise (as applicable), Participants will receive either a beneficial entitlement to Plan Shares (i.e. subject to Disposal Restrictions) or a legal and beneficial entitlement to Shares (which are no longer held under the Plan). Plan Shares will rank equally with Shares in respect of dividends and voting entitlements.

Where Performance Rights are granted, depending on the invitation terms specified, the Board may determine in its absolute discretion that a vested Right will be satisfied by the Company making a cash payment to the Participant in lieu of allocating Shares.

In respect of a Performance Right or Option, a Participant may not participate in:

- (a) new issues of Shares to Shareholders;
- (b) bonus issues of Shares or other securities to Shareholders; or
- (c) any pro-rata issue of Shares or other securities pro-rata to Shareholders,

unless the Option is exercised or the Performance Right is converted into Shares or Plan Shares (as the case may be), in each case before the record date for the relevant issue.

The Company will apply for quotation on the official list of the ASX of the Plan Shares or Shares (as the case may be) upon the exercise of an Option issued or a vested Performance Right that vests under the Plan. The Company will not seek official quotation by ASX of any Options or Performance Rights.

In the event of a change of control, the Board may in its discretion give written notice to Participants and deal with the Plan Interests by:

- converting Participants' Performance Rights to Shares whether or not all conditions have been met;
- permitting the exercise of some or all Options whether or not Vesting Conditions have been met; and/or
- removing any Disposal Restrictions attaching to Plan Shares.

#### *Assignment*

Unless the Board determines otherwise, Plan Interests issued under the Plan are not transferable or assignable.

#### *Administration*

The Plan will be administered by the Board, which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to any applicable Listing Rules) in addition to those set out in the Plan.

#### *Termination and Amendment*

The Plan may be terminated or suspended at any time by the Board but any such suspension or termination will not affect nor prejudice rights of any Participant holding Plan Interests at that time. The Plan may be amended at any time by the Board.

#### *Technical Information (for the purposes of the ASX Listing Rules)*

Since the Plan was approved in 2013, the Company has issued 11,944,800 Plan Interests under the Plan.

### **Directors' Recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

## **RESOLUTIONS 4, 5 & 6: ISSUE OF OPTIONS TO NON-EXECUTIVE DIRECTORS**

### **Background**

Resolutions 4, 5 and 6 seek Shareholder approval for the issue of options to the Company's Non-Executive Directors (or their nominees) on the terms set out under the individual resolutions (*Options*). The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 666,000 Options to Mr Paul Hopper, Dr Leonard Post and Mr Peter Turvey under the Plan. The Exercise Price payable in respect of vested options will be the 5 day volume weighted average market price calculated to the date immediately preceding the AGM.

Mr Hopper, Dr Post and Mr Turvey are Directors of the Company and therefore related parties under the Act.

The ASX Listing Rules (**Listing Rules**) and the Act set out a number of regulatory requirements which must be satisfied. These are summarised below:

#### **ASX Listing Rule 10.14**

Listing Rule 10.14 requires the approval of ordinary Shareholders to issue securities under an employee incentive scheme to a director of the Company. Accordingly, approval for the issue of the Options to each of the Directors is required.

If approval is given for the issue of securities under Listing Rule 10.14, approval is not required under Listing Rule 7.1 and the issue of securities to each of the Directors will not be included in the 15% calculation for the purposes of Listing Rule 7.1. The issue of shares on the exercise of the Options will similarly be excluded from Listing Rule 7.1 if the approval sought under Resolutions 4, 5 and 6 is obtained by virtue of Listing Rule 7.2, Exception 4.

#### **Section 208 of the Act**

Section 208(1) of the Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party unless an exception to the prohibition as set out in sections 210 to 216 of the Act applies to that issue. As Directors of the Company, Mr Hopper, Dr Post and Mr Turvey are related parties of the Company for the purposes of section 228(2) Act. The issue of the Options will constitute the giving of a financial benefit to a related party for the purposes of section 229(3)(e) of the Act.

The Board, with the relevant Director abstaining, has resolved that the grant of the Options to each Director constitutes reasonable remuneration within the meaning of section 211(1) of the Act as:

- the Company wishes to maximise the use of its cash resources towards the Company's development and equity based incentives, such as options, are used to supplement cash based remuneration; and
- the granting of the Options package proposed is commensurate with market practice.

Accordingly, Shareholder approval is not required under section 208(1) of the Act, however approval is still required for the purposes of Listing Rule 10.14.

#### **Considerations in determining the number of proposed Options**

The Directors (with the relevant Director abstaining due to a material personal interest) considered each Director's experience, the current market price of the Shares and current market practice when determining the number and exercise price of the Options to be issued to each Director.

The Board considers that options are an important tool in rewarding, retaining and incentivising employees of the Company and increasing goal alignment between shareholders, directors and executives.

Those Directors who do not have an interest in the outcome of the relevant resolution recommend that shareholders vote in favour of each resolution regarding the Options for the reasons set out below.

1. The Directors consider it is important for the Company to be able to attract and retain experienced directors and that the proposed grant of Options to each Director is appropriate taking into account the relevant Director's level of experience and contribution to the Company.
2. The Company has previously issued options to its Non-Executive Directors and Resolutions 4, 5 and 6 ensures a congruent and consistent remuneration philosophy.
3. The Directors consider that the proposed number of Options to be granted to each Director is appropriate to:

- motivate the relevant Directors to pursue long term growth and success of the Company (within an appropriate control framework);
  - align the interests of key leadership with the long-term interests of the Company's Shareholders; and
  - ensure a clear correlation between performance and remuneration, in accordance with the Company's remuneration policy.
4. Of the Non-Executive Directors' fee pool of \$500,000, \$342,115 (inclusive of superannuation) was used in the financial year ending 30 June 2016. If the Company is unable to issue Options then it may need to consider whether, in order to attract and retain appropriate directors, it needs to increase the level of cash fees payable. By issuing Options, the Company will be able to preserve a greater portion of its cash reserves operating expenditure than it would if additional cash remuneration were given to the Directors.
5. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd ed.) (*Principles*) note that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interests with the interests of other security holders. In accordance with the Principles, these Options do not have Company specific performance conditions so as to not lead to bias in the Non-Executive Directors' decision-making or to compromise their objectivity.

### Director Interests

As at the date of this Notice, the Non-Executive Director's interests in the securities of the Company are as set out below:

Related Party	Shares	Unlisted Options
Mr Paul Hopper	<ul style="list-style-type: none"> <li>• 124,106 shares – held by Kilinwata Investments Pty Ltd A.C.N. 009 641 212 (Paul Hopper is a shareholder of Kilinwata Investments Pty Ltd)</li> <li>• 36,000 shares - held by Ms Deborah Coleman (Mr Hopper's spouse).</li> </ul>	<p>200,000 unlisted options expiring on 28 November 2019 with an exercise price of \$0.332:</p> <ul style="list-style-type: none"> <li>• 133,334 options have vested; and</li> <li>• 66,666 options scheduled to vest on 8 September 2017.</li> </ul> <p>300,000 unlisted options expiring on 18 November 2020 with an exercise price of \$0.6626:</p> <ul style="list-style-type: none"> <li>• 100,000 options scheduled to vest on 18 November 2016;</li> <li>• 100,000 options scheduled to vest on 18 November 2017; and</li> <li>• 100,000 options scheduled to vest on 18 November 2018.</li> </ul>
Dr Len Post	Nil	<p>200,000 unlisted and fully vested options expiring 23 November 2017 with an exercise price of \$0.352.</p> <p>200,000 unlisted options expiring on 28 November 2019 with an exercise price of \$0.332:</p> <ul style="list-style-type: none"> <li>• 133,334 options have vested; and</li> <li>• 66,666 options scheduled to vest on 8 September 2017.</li> </ul> <p>200,000 unlisted options expiring on 18 November 2020 with an exercise price</p>

Related Party	Shares	Unlisted Options
		of \$0.6626: <ul style="list-style-type: none"> <li>• 66,667 options scheduled to vest on 18 November 2016;</li> <li>• 66,667 options scheduled to vest on 18 November 2017; and</li> <li>• 66,666 options scheduled to vest on 18 November 2018.</li> </ul>
Mr Peter Turvey	87,561 shares held by Peter and Pascale Turvey ATF Katto Superannuation Fund (of which Mr Turvey is a beneficiary)	400,000 unlisted options expiring on 28 November 2019 with an exercise price of \$0.332: <ul style="list-style-type: none"> <li>• 266,666 options have vested; and</li> <li>• 133,334 options scheduled to vest on 8 September 2017.</li> </ul> 200,000 unlisted options expiring on 18 November 2020 with an exercise price of \$0.6626: <ul style="list-style-type: none"> <li>• 66,667 options scheduled to vest on 18 November 2016;</li> <li>• 66,667 options scheduled to vest on 18 November 2017; and</li> <li>• 66,666 options scheduled to vest on 18 November 2018.</li> </ul>

### Valuation of the Options

A summary of the potential value of the Non-executive's Options is tabled below:

Option Holder		<i>Tranche 1 – vesting on 1<sup>st</sup> anniversary of issue</i>	<i>Tranche 2 – vesting on 2<sup>nd</sup> anniversary of issue</i>	<i>Tranche 3 – vesting on 3<sup>rd</sup> anniversary of issue</i>	<i>Total</i>
Mr Paul Hopper	Number	88,667	88,667	88,666	266,000
	Value	\$35,305	\$35,305	\$35,305	\$105,915
Dr Len Post	Number	66,667	66,667	66,666	200,000
	Value	\$26,545	\$26,545	\$26,545	\$79,635
Mr Peter Turvey	Number	66,667	66,667	66,666	200,000
	Value	\$26,545	\$26,545	\$26,545	\$79,635
<b>Total</b>	<b>Number</b>	<b>222,001</b>	<b>222,001</b>	<b>221,998</b>	<b>666,000</b>
	<b>Value</b>	<b>\$88,395</b>	<b>\$88,395</b>	<b>\$88,395</b>	<b>\$265,186</b>

As set out above, the total value of Options proposed to be issued to Mr Hopper is \$105,915, to Dr Post is \$79,635 and to Mr Turvey is \$79,635. These are theoretical valuations derived using the Black-Scholes Model and have been valued by external consultants (who, it is considered, have sufficient qualifications, expertise and experience to conduct such a valuation). A valuation of the Options and the pricing methodology for that valuation is set out in Schedule 1. The value of these Options will be expensed in the Company's financial statements over the relevant vesting periods.

### Directors' Remuneration

The remuneration and emoluments paid by the Company to the Non-Executive Directors for the previous financial year (ended 30 June 2016) and the proposed remuneration and emoluments for the current financial year (including the value of Options proposed to be granted) are as follows:

Director	Current Financial Year			Previous Financial Year		
	<i>Short term payments, travel allowance and post-employment benefits</i>	<i>Share based payments (Options)</i>	<i>Total</i>	<i>Short term payments, travel allowance and post-employment benefits</i>	<i>Share based payments (Options)</i>	<i>Total</i>
<b>Mr Hopper</b>	\$92,125	\$47,000	\$139,125	\$92,125	\$11,212	\$103,337
<b>Dr Post</b>	\$60,225	\$34,213	\$94,438	\$59,950	\$11,983	\$71,933
<b>Mr Turvey</b>	\$65,700	\$42,852	\$108,552	\$53,472	\$19,357	\$72,829

If the Options are exercised, a total of 666,000 Shares would be allotted and issued. The Company presently has on issue 240,290,419 Shares, 13,475,000 options exercisable into Shares over various exercise periods and at various exercise prices and 100,500 performance rights with a vesting date of 15 September 2017. The dilution effect of exercise of the 666,000 Options as proposed above is 0.28% of Shares on issue (assuming no other options are issued) and 0.26% on a fully diluted basis (that is, assuming that all other options on issue are exercised and all performance rights are converted).

The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time, any of the Options are exercised and the Company's Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
<b>Highest</b>	\$1.12	16 June 2016
<b>Lowest</b>	\$0.52	16 October 2015
<b>Last</b>	\$0.93	16 September 2016

#### Information provided for the purpose of the ASX Listing Rules 10.14 and 10.15

The following information is provided to Shareholders in relation to Resolutions 4, 5 and 6:

- 266,000 Options are to be issued to Mr Paul Hopper (or his nominee), 200,000 Options are to be issued to Dr Leonard Post (or his nominee) and 200,000 Options are to be issued to Mr Peter Turvey (or his nominee). Each Option may be converted on a one-for-one basis to a Share in the Company.
- Mr Hopper is the Chairman of the Board. Dr Post and Mr Turvey are Non-Executive Directors of the Company.
- All Directors are entitled to participate in the Plan. At the date of the Notice the Directors of the Company are Dr McColl, Mr Hopper, Dr Post and Mr Turvey.
- It is anticipated that the Options will be issued by the Company within one (1) month of the AGM and no later than twelve (12) months after the date of this AGM.
- No amount will be payable on the grant of an Option.
- The Exercise Price for Mr Hopper, Dr Post and Mr Turvey's Options will be the 5 day volume weighted average market price calculated to the date immediately preceding the AGM.
- Since the last approval of the Plan by Shareholders at the 2013 AGM, the Directors have received the following grant of options under the Plan which were approved by Shareholders:
  - at the 2014 AGM, Dr McColl – 400,000 options, Mr Hopper – 200,000 options, Dr Post – 200,000 options and Mr Turvey – 400,000 options. All options were granted for nil financial consideration; and
  - at the 2015 AGM Dr McColl – 5,000,000 options, Mr Hopper – 300,000 options, Dr Post – 200,000 options and Mr Turvey – 200,000 options. All options were granted for nil financial consideration.

The Plan is being considered for approval under Resolution 3 at the 2016 AGM.

- All funds raised on payment of the exercise price of the Options will be used as working capital.
- There is no loan attaching to the offers of Options.
- A voting exclusion statement is set out under each Resolution.
- If approval is given for the issue of securities under Listing Rule 10.14, approval is not required under Listing Rule 7.1

### **Additional terms of the Options**

- If exercised, each Option will entitle the relevant Director (or his nominees) to each acquire 1 ordinary share in the capital of the Company.
- No amount will be payable on the grant of an Option.
- The Options will be exercisable in multiples of 10,000.
- All Options not exercised by 5.00pm on the 5 year anniversary of the issue date (*Expiry Date*) will lapse.
- The vesting date of the Non-Executive Director's Options (when the Options will be exercisable) will be as follows:
  - one-third of the Director Options will vest on the first anniversary of issue ;
  - one-third of the Director Options will vest on the second anniversary of issue; and
  - the remaining third of the Director Options will vest on the third anniversary of issue.
- Notwithstanding the above, the Options will immediately vest and become exercisable upon a control event of the Company.
- All funds raised by the Company from the exercise of the Options will be used for general working capital purposes.
- The Options do not confer the right to participate in any new issue of Shares without first exercising the Options then available to be exercised, and then only to the extent of ordinary Shares then held by him.
- If there is any re-organisation (including consolidation, subdivision, reduction or return of issued capital of the Company), the number of Options and/or the exercise price will be adjusted by the Company in accordance with the Listing Rules or (if no such rules exist) in a manner which will not advantage or disadvantage either Director as compared to ordinary Shareholders.
- In relation to the Non-Executive Directors (Resolutions 4, 5 and 6), unvested Options shall lapse upon the relevant director ceasing to be a Director of the Company.
- The Options are not transferable.
- All Shares issued pursuant to the exercise of Options will, subject to the Constitution of the Company, rank in all respects (other than in respect of dividends, rights issues or bonus issues declared prior to allotment) *pari passu* with the existing Shares at the date of issue and allotment.
- The Options will not be quoted on the ASX. The Company intends to apply to the ASX for quotation of any Shares acquired on exercise of the Options.

### **Directors' Recommendations**

The Directors (with Mr Hopper abstaining) recommend that Shareholders vote in favour of Resolution 4.

The Directors (with Dr Post abstaining) recommend that Shareholders vote in favour of Resolution 5.

The Directors (with Mr Turvey abstaining) recommend that Shareholders vote in favour of Resolution 6.

### **RESOLUTION 7: APPROVAL FOR SHARES ISSUED UNDER PLACEMENT**

#### ***Background about the Placement***

On 14 December 2015, the Company announced details of a placement to professional and sophisticated investors to subscribe for new Viralytics Limited shares at a price of \$0.615 per share, to raise approximately \$28.3 million (**Placement**). Bell Potter and Roth Capital Partners acted as Lead Managers to the Placement.



The Placement of 46,118,270 shares were issued on 21 December 2015 under the Company's 15% placement capacity in accordance with ASX Listing Rule 7.1 and the Company's additional 10% placement capacity in accordance with ASX Listing Rule 7.1A (**Placement**):

- Securities issued under Listing Rule 7.1 – 27,670,962
- Securities issued under Listing Rule 7.1A – 18,447,308

The funds raised from the Placement are being used to enable the advancement of the Company's clinical program.

### ***Specific information about Resolution 7 (Placement)***

Under ASX Listing Rule 7.1, a company must obtain shareholder approval if it wants to issue more than 15% of its ordinary securities in the next 12 months.

Under ASX Listing Rule 7.1A, a company may obtain shareholder approval at its AGM to issue a further 10% of its issued capital in accordance with the constraints set out in that Listing Rule. The Company obtained such approval at its 2015 AGM and issued capital under ASX Listing Rule 7.1A as part of the Placement.

ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact so that the securities issued are regarded as having been made with approval for the purpose of ASX Listing Rule 7.1. Issue made under Listing Rule 7.1A can also be ratified under ASX Listing Rule 7.4.

The Company is seeking approval for the purposes of ASX Listing Rule 7.4 to enable the Company to refresh its issuing capacity under Listing Rule 7.1 and Listing Rule 7.1A, thereby providing the Company with the flexibility to issue further securities under ASX Listing Rule 7.1 and Listing Rule 7.1A if the need arises.

The Placement was made within the 15% limit permitted under ASX Listing Rule 7.1 and without shareholder approval and the additional 10% limit permitted by ASX Listing Rule 7.1A, approved by shareholders at the Company's 2015 AGM. Accordingly, Resolution 7 is proposed for the purpose of ratifying the issue of the Placement and thereby refreshing the Company's ability to issue Shares in the future up to the 15% limit and the additional 10% limit should the need or opportunity arise.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- the number of Shares issued under the Placement was 46,118,270.
- the Shares issued under the Tranche 1 Placement were issued at a price of 61.5 cents per share.
- Shares under the Placement have been issued to:
  - a range of sophisticated and professional investors who qualify under the requirements of sections 9 and 708 of the Corporations Act identified by Bell Potter;
  - international resident investors to whom an offer of the Placement Shares did not require disclosure under the laws of the relevant jurisdiction; andNo Directors or other related parties participated in the Placement.
- the Shares issued under the Placement were fully paid ordinary shares which rank equally with all other existing Shares from the date of issue.
- the funds raised from the Placement are being used by the Company to enable the advancement of the Company's clinical program.
- a Voting Exclusion Statement accompanies Resolution 7 in the Notice of Meeting.

### **Directors' Recommendation**

The Directors unanimously recommend Shareholders vote in favour of Resolution 7.

## **RESOLUTION 8: ASX LISTING RULE 7.1A - ADDITIONAL SHARE ISSUE CAPACITY**

Listing Rule 7.1A enables mid to small cap listed companies to seek shareholder approval by special resolution to issue Equity Securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placement over a 12 month period (**10% Placement Facility**). This is in addition to the existing 15% placement capacity permitted by Listing Rule 7.1.

A company is eligible to seek shareholder approval for this additional placement capacity if it satisfies both of the following criteria at the date of the AGM:

- (a) it has a market capitalisation of \$300 million or less; and
- (b) it is not included in the S&P/ASX 300 Index.

The Company currently satisfies both the above criteria, and it is anticipated that it will satisfy both these criteria at the date of the Meeting.

Accordingly, Resolution 8 is seeking approval of ordinary Shareholders by special resolution for the issue of such number of Equity Securities as calculated under the formula in Listing Rule 7.1A.2, at an issue price as permitted by Listing Rule 7.1A.3 to such persons as the Board may determine, on the terms as described in this Explanatory Statement.

At the date of this Notice, the Company has on issue 240,290,419 Shares and a capacity to issue:

- (i) 1,440,610 Equity Securities under Listing Rule 7.1; and
- (ii) 960,406 equity securities under Listing Rule 7.1A (under the approval granted on 18 November 2015, expiring 18 November 2016). Subject to Shareholder approval being sought under Resolution 7, the Company will have 24,019,541 Equity Securities available for issue under Listing Rule 7.1A.

The effect of Resolution 8 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% placement period without using the Company's 15% placement capacity under Listing Rule 7.1. Any equity securities issued pursuant to Resolution 8 must be in an existing quoted class.

### **Information required by ASX Listing Rule 7.3A**

The following information is provided for the purposes of Listing Rule 7.3A:

- The minimum price at which the Equity Securities will be issued will be no less than 75% of the volume weighted average market price for securities in that class calculated over the 15 trading days on which trades are recorded immediately before:
  - (a) the date on which the price at which the securities are to be issued is agreed; or
  - (b) if the securities are not issued within 5 trading days of the date in paragraph (a), the date on which the securities are issued.

If Resolution 8 is approved by Shareholders and the Company issues securities under the 10% Placement Facility, the existing ordinary Shareholders face the risk of economic and voting dilution as a result of the issue of Equity Securities which are the subject of this resolution, to the extent that such securities are issued; including:

- (a) the market price of Equity Securities in that class may be significantly lower on the issue date than on the date on which this approval is being sought; and
- (b) the Equity securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date or the Equity Securities may be issued as part consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

- The following table gives examples of the potential dilution of existing ordinary Shareholders on the basis of the market price of Shares on 16 September 2016 and the number of ordinary securities for variable “A”, calculated in accordance with the formula in Listing Rule 7.1A.2 (on the assumption Resolution 7 is approved) as at the date of the Meeting.

The table also shows:

- two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

No. of Shares on Issue <sup>1</sup>	Dilution			
	Issue price (per Share)	\$0.465 50% decrease in Issue Price	\$0.93 Issue Price	\$1.86 100% increase in Issue Price
240,290,419 (Current)	Shares issued	24,029,042	24,029,042	24,029,042
	Funds raised	\$11,173,504	\$22,347,009	\$44,694,018
360,435,628 (50% increase)	Shares issued	36,043,563	36,043,563	36,043,563
	Funds raised	\$16,760,257	\$33,520,513	\$67,041,027
480,580,838 (100% increase)	Shares issued	48,058,084	48,058,084	48,058,084
	Funds raised	\$22,347,009	\$44,694,018	\$89,388,036

The table has been prepared on the following assumptions:

- Resolution 7, ratification of a placement of shares, is approved;
  - The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - No Unlisted Options (including any options issued under the 10% Placement Facility) are exercised into ordinary shares before the date of the issue of the Equity Securities under Listing Rule 7.1A.
  - The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of the Meeting.
  - The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
  - The issue price is \$0.93, being the closing price of the Shares on ASX on 16 September 2016.
- If any of the shares being approved by this resolution are issued, they will be issued during the placement period, that is, within 12 months of the date the AGM i.e. before 23 November 2017 and the approval being sought by this resolution will cease to be valid if ordinary shareholders approve a transaction under Listing Rules 11.1.2 or 11.2 prior to 23 November 2017.

<sup>1</sup> Variable “A” in Listing Rule 7.1A.2

- The Equity Securities will be issued for the purpose of raising working capital for the Company. A proportion of the Equity Securities may be issued for non-cash consideration and in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3. An example of such a transaction includes an issue of shares in lieu of payment for services provided to the Company.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of Equity Securities will be determined on a case by case basis having regard to factors including, but not limited to, the following:
  - The methods of raising funds available to the Company;
  - The effect of the issue of Equity Securities on the control of the Company. Allocation will be subject to takeover thresholds;
  - The financial situation and solvency of the Company; and
  - Advice from corporate, financial and broking advisors (if applicable)
- The Company previously obtained approval under Listing Rule 7.1A at its Annual General Meeting held on 18 November 2015.
- The total number of Equity Securities issued in the 12 months prior to 23 November 2016 is 56,452,838, being 30.60% of the total number of Equity Securities on issue at the commencement of the 12 month period.
- A Voting Exclusion Statement is set out under Resolution 8 in the Notice of Meeting. At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.
- Details of all issues of Equity Securities during the 12 months prior to 23 November 2016 are as follows:

	Issue 1 21/12/2015	Issue 2 27/01/2016	Issue 3 26/05/2016	Issue 4 28/6/2016	Issue 5 28/07/2016	Issue 6 15/09/2016	Issue 7 27/09/2016
<b>Number of Equity Securities issued:</b>	1. 46,118,270 2. 200,000	6,504,068	100,000	2,500,000	300,000	95,000	1. 630,000 2. 100,500
<b>Class:</b>	1. Ordinary shares 2. Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	1. Unlisted Options 2. Performance Rights
<b>Summary of Terms</b>	1. Fully paid ordinary shares 2. Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares	Fully paid ordinary shares	1. Options issued to eligible persons under the Viralytics Equity Incentive Plan as approved by Shareholders at the 2013 AGM. The options have an exercise price of \$0.9095 and expire on 28 September 2021. One third of options vest on 28 September 2017, one third vest on 28 September 2018 and one third vest on 28 September 2019 subject to the satisfaction of continued employment. 2. Performance rights issued to eligible persons under the Viralytics Equity Incentive Plan as approved by Shareholders at the 2013 AGM. Performance rights vest on 15 September 2017, subject to the continued employment, converting on a one-for-one basis into fully paid ordinary shares.

	Issue 1 21/12/2015	Issue 2 27/01/2016	Issue 3 26/05/2016	Issue 4 28/6/2016	Issue 5 28/07/2016	Issue 6 15/09/2016	Issue 7 27/09/2016
<b>Persons to whom securities were issued and basis for issue:</b>	1. Institutional & sophisticated investors 2. Ex-Managing Director (on exercise of unlisted options)	Shareholders as part of a Share Purchase Plan	Ex-Managing Director (on exercise of unlisted options)	Ex-Directors and the Chief Science Officer (on exercise of unlisted options)	Ex-Director (on exercise of unlisted options)	Employees (on vesting of Performance Rights)	Senior Management Employees
<b>Price at issue: Discount to market price:</b>	1. \$0.615, 5.2% discount to 5 day VWAP. This was a 3.9% discount to the closing price of \$0.64 on 21 December 2015 (date of issue) 2. \$0.50 – Discount n/a as exercise price for options.	\$0.615, 5.2% discount to 5 day VWAP as per December 2015 Placement. This was a 15.7% discount to the closing price of \$0.73 on 27 January 2016 (date of issue)	\$0.70 Discount n/a as exercise price for options.	\$0.70 Discount n/a as exercise price for options.	\$0.70 Discount n/a as exercise price for options.	Nil n/a	Nil Discount n/a
<b>Total cash consideration: Amount of cash spent: Spent on: Intended use for remaining cash:</b>	1. \$28,362,736 2. \$100,000 Merged with existing funds - cash at bank a/a 30 June \$46 million. 1. Working capital 2. Working capital	\$4,000,001.82 Merged with existing funds - cash at bank a/a 30 June \$ 46 million. Working capital	\$70,000 Merged with existing funds - cash at bank a/a 30 June \$ 46 million. Working capital	\$1,750,000 Merged with existing funds - cash at bank a/a 30 June \$ 46 million. Working capital	\$210,000 Merged with existing funds - cash at bank a/a 30 June \$ 46 million. Working capital	Nil	Nil
<b>Non-cash consideration: Current value of non-cash consideration:</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Resolution 8 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by shareholders present and entitled to vote on Resolution 8 must be in favour of the resolution.

**Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 8.

## SCHEDULE 1

The Director Options to be issued to the related parties pursuant to Resolutions 4, 5 and 6 have been valued by external consultants. The consultants are considered to have sufficient qualifications, expertise and experience to conduct such a valuation. The valuation was prepared using the Black-Scholes Option Pricing Model, which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Black-Scholes Model is a function of a number of variables and is rounded to the nearest one hundredth of a cent.

The valuation is not a representative valuation of the Director Options *as at* the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run at the time of issue (i.e. immediately following the General Meeting of Shareholders).

The assessment of the estimated value of the Director Options has been prepared applying the following assumptions:

<i>Option Holder</i>		<i>Tranche 1</i>	<i>Tranche 2</i>	<i>Tranche 3</i>	<i>Total</i>
Mr Paul Hopper	Number	88,667	88,667	88,666	266,000
	Value	\$35,305	\$35,305	\$35,305	\$105,915
Dr Len Post	Number	66,667	66,667	66,666	200,000
	Value	\$26,545	\$26,545	\$26,545	\$79,635
Mr Peter Turvey	Number	66,667	66,667	66,666	200,000
	Value	\$26,545	\$26,545	\$26,545	\$79,635
<b>Total</b>	Number	<b>222,001</b>	<b>222,001</b>	<b>221,998</b>	<b>666,000</b>
	Value	<b>\$88,395</b>	<b>\$88,395</b>	<b>\$88,395</b>	<b>\$265,185</b>

The total value of Director Options to be issued is set out below:

- Mr Hopper - \$105,915
- Dr Post - \$79,635
- Mr Turvey - \$79,635

The valuation relies upon the following assumptions:


- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black-Scholes Model between the date of the valuation and the date the Options are granted would have an impact on their value.




## LODGE YOUR VOTE

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Viralytics Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Viralytics Limited (the **Company**) and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, will act as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am on Wednesday, 23 November 2016 at McCullough Robertson, Level 32, MLC Centre, 19-29 Martin Place, Sydney, NSW (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolutions 2, 3, 4, 5 and 6:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2, 3, 4, 5 and 6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

(Note: you may direct the Chairman of the Meeting to vote against items 2, 3, 4, 5 and/or 6, or to abstain by marking the box/es below.)


### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Re-election of Mr Peter Turvey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval for the issue of Options to Dr Leonard Post	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval for the issue of Options to Mr Peter Turvey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Viralytics Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Ratification of Shares issued – Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval for the issue of Options to Mr Paul Hopper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Additional Share Issue Capacity under ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on a resolution in accordance with your directions, the Chairman of the Meeting will become your proxy in respect of that resolution. A proxy need not be a shareholder of the Company.

### PROXY VOTING BY THE CHAIRMAN OF THE MEETING

On a poll, the Chairman of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chairman of the Meeting sees fit. If the Chairman of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting the Proxy Form you are expressly authorising the Chairman of the Meeting to exercise your proxy on resolutions that are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

If you wish to appoint a Director (other than the Chairman) or other member of the KMP or their closely related parties, as your proxy, you must specify how they should vote on Resolutions 2, 3, 4, 5 and 6 by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolutions 2, 3, 4, 5 and 6.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Monday, 21 November 2016**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Only Proxy Forms issued by the Company will be deemed valid and accepted by the Company.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

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

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Viralytics Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**