



ASX and Media Release

Issue of Options and Performance Rights

12 December 2017, Sydney, Australia: Viralytics Limited (ASX: VLA, OTCQX: VRACY) has issued options to Directors and members of the senior management team as well as performance rights to a number of staff.

Options issued to Directors were approved by shareholders at the Company's Annual General Meeting on 22 November 2017. Further information regarding the terms of the Directors options were provided in the Notice of Meeting which is available on the Company's website www.viralytics.com.

Details regarding the performance hurdles and vesting periods for Dr McColl and Dr Shafren's options are described in the attached Annexure. Details of the remaining options and performance rights are described in the attached Appendix 3B.

The Board considers that options and performance rights are essential tools in rewarding, retaining and incentivising employees of the Company, and aligning interests between shareholders, directors and executives.

About Viralytics Ltd

Viralytics is developing oncolytic immunotherapy treatments for a range of cancers. The company's lead investigational product, CAVATAK®, is currently being studied in clinical trials for the treatment of melanoma, as well as bladder and lung cancers. CAVATAK is a proprietary formulation of the common cold Coxsackievirus Type A21 (CVA21) that preferentially binds to specific 'receptor' proteins highly expressed on multiple cancer types. CAVATAK acts to kill both local and metastatic cancer cells through cell lysis and the potential generation of an immune response against the cancer cells – a two-pronged mechanism of action known as oncolytic immunotherapy.

Based in Sydney Australia, the company is listed on the Australian Securities Exchange (ASX: VLA) while Viralytics' ADRs also trade under VRACY on the US OTCQX International market. For more information, please visit www.viralytics.com.

Enquiries:

Dr Malcolm McColl
Chief Executive Officer
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Mr Robert Vickery
Chief Financial Officer
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ANNEXURE – OPTION TERMS

Dr Malcolm McColl, Managing Director and CEO

As approved at the 2017 Annual General Meeting (AGM) a total of 2.5 million unlisted options exercisable at 74.70 cents per option being the volume weighted average market price of the Company's shares on the Australian Securities Exchange over the five trading days prior to the date of the AGM (the exercise price).

Vesting will be in two equal tranches of 1.25 million options subject to the achievement of any one of the performance hurdles outlined below.

Tranche 1 will vest on the achievement of any one of the agreed performance hurdles on or before 30 November 2018. Tranche 2 will vest on the achievement of any one of the agreed performance hurdles on or before 30 November 2019.

The performance hurdles for each tranche relate to an agreed share price hurdle, clinical development targets and corporate development of the Company. Each hurdle has been designed by the Remuneration and Nomination Committee of the Board to enhance share value creation.

All options within each tranche will lapse if a performance hurdle is not achieved within the relevant vesting period. Vested options will expire five years after the date of issue.

Dr Darren Shafren, Chief Scientific Officer

A total of 2 million unlisted options exercisable at the exercise price of 64.37 cents per option.

Vesting will be in two equal tranches of 1 million options subject to the achievement of any one of the performance hurdles outlined below. Tranche 1 will vest on the achievement of any one of the agreed performance hurdles on or before 30 November 2018. Tranche 2 will vest on the achievement of any one of the agreed performance hurdles on or before 30 November 2019.

The performance hurdles for each tranche relate to an agreed share price hurdle, clinical development targets and corporate development of the Company. As set out above, each hurdle has been designed by the Remuneration and Nomination Committee of the Board to enhance share value creation.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

VIRALYTICS LIMITED

ABN

12 010 657 351

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1 +Class of +securities issued or to be issued

- 1) Unlisted options
- 2) Unlisted options
- 3) Unlisted options
- 4) Unlisted options
- 5) Unlisted performance rights
- 6) Lapse of unlisted options

2 Number of +securities issued or to be issued (if known) or maximum number which may be issued

- 1) 666,000
- 2) 2,500,000
- 3) 2,000,000
- 4) 720,000
- 5) 131,500
- 6) 4,500,000

+ See chapter 19 for defined terms.

<p>3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<ol style="list-style-type: none"> 1) Options issued to Non-Executive Directors under the Viralytics Equity Incentive Plan as approved by shareholders at the 2017 AGM. The options have an exercise price of \$0.747048 and expire on 12 December 2022. One third of options vest on 12 December 2018, one third vest on 12 December 2019 and one third vest on 12 December 2020 subject to the satisfaction of continued employment. 2) Options issued to Dr Malcolm McColl under the Viralytics Equity Incentive Plan as approved by shareholders at the 2017 AGM. The options have an exercise price of \$0.747048 and expire on 12 December 2022. One half of options vest on achievement of an agreed performance hurdle on or before 30 November 2018 and the other half of the options vest on achievement of an agreed performance hurdle on or before 30 November 2019. 3) Options issued to Dr Darren Shafren under the Viralytics Equity Incentive Plan. The options have an exercise price of \$0.643695 and expire on 12 December 2022. One half of options vest on achievement of an agreed performance hurdle on or before 30 November 2018 and the other half of the options vest on achievement of an agreed performance hurdle on or before 30 November 2019. 4) Options issued to a number of senior management under the Viralytics Equity Incentive Plan. The options have an exercise price of \$0.643695 and expire on 12 December 2022. One third of options vest on 12 December 2018, one third vest on 12 December 2019 and one third vest on 12 December 2020 subject to the satisfaction of continued employment. 5) Performance rights issued to eligible persons under the Viralytics Equity Incentive Plan. Performance rights vest on 30 November 2018, subject to the continued employment, converting on a one-for-one basis into fully paid ordinary shares. 6) N/A – Lapse of unlisted options.
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+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1) No. Upon exercise, the ordinary shares issued will rank equally with existing ordinary shares, including in respect of voting rights and dividends.</p> <p>2) No. Upon exercise, the ordinary shares issued will rank equally with existing ordinary shares, including in respect of voting rights and dividends.</p> <p>3) No. Upon exercise, the ordinary shares issued will rank equally with existing ordinary shares, including in respect of voting rights and dividends.</p> <p>4) No. Upon exercise, the ordinary shares issued will rank equally with existing ordinary shares, including in respect of voting rights and dividends.</p> <p>5) No. Upon conversion, the ordinary shares will rank equally with existing ordinary shares, including in respect of voting rights and dividends.</p> <p>6) N/A</p>
5	Issue price or consideration	<p>1) Nil. Exercise price of \$0.747048 per option.</p> <p>2) Nil. Exercise price of \$0.747048 per option.</p> <p>3) Nil. Exercise price of \$0.643695 per option.</p> <p>4) Nil. Exercise price of \$0.643695 per option.</p> <p>5) Nil.</p> <p>6) N/A</p>
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Grant of options and performance rights to eligible persons under the Viralytics Equity Incentive Plan.
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	No
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of +securities issued without security holder approval under rule 7.1	N/A

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	N/A	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	N/A	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	N/A	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	12 December 2017	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		240,924,252	Ordinary
		Number	+Class

+ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the ⁺ securities in section 2 if applicable)	15,383,667	Unquoted options
		131,500	Unquoted performance rights
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change in dividend policy	

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the ⁺ securities will be offered	N/A
14	⁺ Class of ⁺ securities to which the offer relates	N/A
15	⁺ Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A

⁺ See chapter 19 for defined terms.

21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	⁺ Issue date	N/A

⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000

1,001 - 5,000

5,001 - 10,000

10,001 - 100,000

100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A	
39	+Class of +securities for which quotation is sought	N/A	
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	N/A	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	N/A	
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.


Sign here: _____
Company Secretary

Date:12 December 2017.....

Print name: Sarah Prince

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+ See chapter 19 for defined terms.