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## **VIRAX HOLDINGS LIMITED**

**ACN 006 569 106**

### **NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 11:00 am EDT

**DATE:** 28 November 2014

**PLACE:** Chartered Accountants, Level 3 Bourke Place, 600 Bourke Street,  
Melbourne, VIC, 3000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

The Independent Expert has concluded that the transaction the subject of Resolution 8 outlined in this Notice of Annual General Meeting is not fair but reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Annual General Meeting.

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9486 2333.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 11:00 am EDST on 28 November 2014 at:  
Chartered Accountants, Level 3 Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00 pm (EDST) on 26 November 2014.

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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### FINANCIAL STATEMENTS AND REPORTS

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To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2014."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Prohibition Statement:**

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

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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#### 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRENDAN DE KAUWE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Brendan De Kauwe, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

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### 3. RESOLUTION 3 –ELECTION OF DIRECTOR – ROBERT CROMBIE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Robert Crombie, a Director who was appointed as an additional Director on 16 June 2014, retires, and being eligible, is elected as a Director.”*

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### 4. RESOLUTION 4 –ELECTION OF DIRECTOR – PAUL HOPPER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Paul Hopper, a Director who was appointed casually on 30 May 2014, retires, and being eligible, is elected as a Director.”*

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### 5. RESOLUTION 5 – CHANGE OF NAME

To consider and, if thought fit, to pass, the following resolution as a **special resolution**:

*“That, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “Prescient Therapeutics Limited”.”*

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### 6. RESOLUTION 6 – ISSUE OF OPTIONS TO ROBERT CROMBIE

To consider and, if thought fit the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 40,000,000 Options (on a pre-Consolidation basis) or 2,000,000 Options (on a post-Consolidation basis) to Robert Crombie (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Robert Crombie (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or 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.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 7. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

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## 8. RESOLUTION 8 – ISSUE OF CONSIDERATION SHARES TO RELATED PARTIES AND INCREASE OF VOTING POWER

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

*“That, subject to and conditional on the passing of Resolution 9, for the purposes of Sections 208 and 611 (Item 7) of the Corporations Act, ASX Listing Rules 10.1 and 10.11 and for all other purposes, approval is given for:*

- (a) the Company to acquire all the shares in AKTivate held by the Hopper Parties, pursuant to and in accordance with the terms of the Agreement;*
- (b) the Company to issue up to 191,666,667 Consideration Shares (on a pre-Consolidation basis) or 9,583,342 Consideration Shares (on a post-Consolidation basis) to the Hopper Parties in accordance with the terms of the Agreement; and*
- (c) an increase in the Hopper Parties' and their associates' voting power in the Company from 3.87% up to a maximum of 25.04% as a result of the issue of the Consideration Shares and assuming the Deferred Pathway Acquisition Shares are all issued,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Independent Expert's Report:** Shareholders should carefully consider the report prepared by Stantons International for the purposes of the Shareholder approval under Section 611 (Item 7) of the Corporations Act and Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the parties to the Transaction, including the Hopper Parties, and any of their associates. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or 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.

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## 9. RESOLUTION 9 – ISSUE OF CONSIDERATION SHARES TO UNRELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional on the passing of Resolution 8, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 42,333,333 Consideration Shares (on a pre-Consolidation basis) or up to 2,116,667 Consideration Shares (on a post-Consolidation basis) to AKTivate shareholders (or their nominees) which are not related parties of the Company on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

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## 10. RESOLUTION 10 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every 20 Shares be consolidated into 1 Share; and*
- (b) every 20 Options be consolidated into 1 Option,*

*and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."*

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## 11. RESOLUTION 11 – SPILL RESOLUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and*
- (b) all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*

- (c) resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting."

**Voting Prohibition Statement:**

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


- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**Dated: 20 October 2014**

**By order of the Board**



**Mr Sean Henbury**  
**Company Secretary**



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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.virax.com.au](http://www.virax.com.au).

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

## 2.3 Previous voting results

The Company has not held annual general meetings for the 2012 and 2013 financial years, due to its voluntary administration. The Company has called for those annual general meetings to be held immediately prior to this Meeting. If at least 25% of the votes cast on the Remuneration Report resolution are voted against adoption of the remuneration reports for the 2013 and 2014 financial years, the Spill Resolution will be relevant for this Annual General Meeting. Refer to Resolution 11 for further information.

## 2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Proxy	Directed	Undirected
Key Management Personnel <sup>1</sup>	Voted	Not voted <sup>3</sup>
Chair <sup>2</sup>	Voted	Voted at discretion of Proxy <sup>4</sup>
Other	Voted	Voted at discretion of Proxy

### Notes:

1. Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.
2. Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).
3. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.
4. The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

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## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRENDAN DE KAUWE

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and

- (d) in determining the number of Directors to retire, no account is to be taken of:
- (i) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and/ or
  - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

The Company currently has five (5) Directors (including Paul Hopper and Robert Crombie who were appointed casually in 2014) and accordingly one (1) must retire.

Brendan De Kauwe retires by rotation and seeks re-election. Dr De Kauwe was first appointed as a Director on 30 August 2013.

Information on the qualifications, skills and experience of Dr De Kauwe are as follows.

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 (RG1 46) 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.

The Board has considered Dr De Kauwe's independence and considers that he is an independent Director.

The Directors, other than Dr De Kauwe, support the re-election of Dr De Kauwe and recommend that Shareholders vote in favour of Resolution 2.

Dr De Kauwe is currently the Executive Chairman of ASX listed Actinogen Limited (ASX:ACW).

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#### **4. RESOLUTIONS 3 & 4 – ELECTION OF DIRECTORS**

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Dr Crombie and Mr Hopper having been appointed on 16 June 2014 and 30 May 2014 respectively, will each retire in accordance with clause 13.4 of the Constitution and, in the case of Mr Hopper, ASX Listing Rule 14.4 (which rule doesn't apply to Dr Crombie as he is the Company's Managing Director), and being eligible, seek election from Shareholders.

Information on the qualifications, skills and experience of Dr Crombie are as follows.

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.

Dr Crombie 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).

The Board has considered Dr Crombie's independence and considers that he is not an independent Director.

The Directors, other than Dr Crombie, support the election of Dr Crombie and recommend that Shareholders vote in favour of Resolution 3.

Information on the qualifications, skills and experience of Mr Hopper are as follows.

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.

The Board has considered Mr Hopper's independence and considers that he is not an independent Director.

The Directors, other than Mr Hopper, support the election of Mr Hopper and recommend that Shareholders vote in favour of Resolution 4.

Mr Hopper is currently a director of two other public companies. He is the Executive Chairman of Imugene Ltd and the Chairman of Viralytics Ltd. He is also the Chairman of the California Chapter of American Australian Association.

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## **5. RESOLUTION 5 – CHANGE OF NAME**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 5 seeks Shareholder approval for the Company to change its name to "Prescient Therapeutics Limited".

If Resolution 5 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The Board considers that a name change is appropriate to reflect the fact that the Company has been recapitalised and has undergone a change of directors and management.

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## **6. RESOLUTION 6 – ISSUE OF OPTIONS TO ROBERT CROMBIE**

### **6.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 40,000,000 Options to Robert Crombie (or his nominee) on the terms and conditions set out below.

Resolution 6 seeks Shareholder approval, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, for the issue to Robert Crombie (or his nominee) of 40,000,000 Options (on a pre-Consolidation basis) or 2,000,000 Options (on a post-Consolidation basis), on the terms and conditions set out in this Notice of Meeting.

### **6.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of the Options to Robert Crombie (or his nominee) constitutes giving a financial benefit, and, as a Director, Robert Crombie is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Options to Robert Crombie (or his nominee).

### **6.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that an exception set out in ASX Listing Rule 10.12 does not apply.

The issue of the Options to Robert Crombie (or his nominee) involves the issue of securities to a related party of the Company and accordingly, approval is sought from Shareholders for the purposes of ASX Listing Rule 10.11.

#### **6.4 Technical Information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.13**

Pursuant to and in accordance with the requirements of Sections 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Options:

- (a) the related party is Robert Crombie and his nominee, Crombie Enterprises (VIC) Pty Ltd as trustee for the Crombie Family Trust, which is a related party of the Company as it is controlled by Robert Crombie and he is a related party by virtue of being a Director of the Company;  
  
the maximum number of Options (being the nature of the financial benefit being provided) to be issued to Robert Crombie (or his nominee) is 40,000,000 Options (on a pre-Consolidation basis) or 2,000,000 Options (on a post-Consolidation basis);
- (b) the Options will be issued to Robert Crombie (or his nominee Crombie Enterprises (VIC) Pty Ltd as trustee for the Crombie Family Trust) no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Options will be issued on one date;
- (c) the Options will be issued for nil cash consideration, accordingly no funds will be raised;
- (d) the terms and conditions of the Options are set out in Schedule 1. These terms were determined by the Board as applying to Options on a pre-Consolidation basis. If Resolution 10 is passed and the Consolidation occurs, the terms and conditions set out in Schedule 1 will not change other than that the exercise price provided in the terms will be twenty (20) times the price equal to the closing price of the Shares on the date that Shareholder approval for the issue of the Options is obtained and the number and vesting conditions of the Options will be amended as follows:
  - (i) Tranche 1 – 500,000 options will vest if the Share price equals or exceeds thirty cents (\$0.30) over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days at any time after the issue;
  - (ii) Tranche 2 - 500,000 Options will vest if the Share price equals or exceeds sixty cents (\$0.60) over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is one year after the date of issue of the Options and if Robert Crombie is still an employee of the Company two (2) years after the issue of the Options;
  - (iii) Tranche 3 - 500,000 Options will vest if the Share price equals or exceeds eighty cents (\$0.80) over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is two years after the date of issue of the Options and if Robert Crombie is still an employee of the Company three (3) years after the issue of the Options; and

- (iv) Tranche 4 - 500,000 Options will vest if the Share price equals or exceeds one dollar twenty cents (\$1.20) over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is three (3) years after the date of issue of the Options and if Robert Crombie is still an employee of the Company four (4) years after the issue of the Options;
- (e) the value of the Options and the pricing methodology is set out in Schedule 2;
- (f) Robert Crombie's relevant interests in securities of the Company are set out below:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
Robert Crombie	Nil	Nil

- (g) the remuneration and emoluments from the Company to Robert Crombie for both the current financial year and previous financial year are set out below (inclusive of superannuation):

<b>Related Party</b>	<b>Current Financial Year</b>	<b>Previous Financial Year</b>
Robert Crombie	\$300,437	\$12,347

- (h) if the Options issued to Robert Crombie (or his nominee) are exercised, a total of 40,000,000 Shares would be issued (on a pre-Consolidation basis) or 2,000,000 Shares on a post-Consolidation basis. the issue of the Options will have a dilutionary effect on Shareholders if some or all of the Options are exercised. The Company currently has 920,947,371 Shares on issue. If all of the Options issued to Robert Crombie (or his nominee) are exercised, (assuming that, no other Shares are issued or Options exercised) the Company will have a total of 960,947,371 Shares on issue (on a pre-Consolidation basis), or if Resolution 10 is passed and the Consolidation occurs but no other Shares are issued other than upon exercise of the Options pursuant to Resolution 6, the Company will have approximately 48,047,369 Shares on issue (on a post-Consolidation basis) resulting in a dilutionary effect on existing Shareholders of 4.16%;
- (i) 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 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;
- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	<b>Price</b>	<b>Date</b>
Highest	2 cents	7 February 2014
Lowest	0.5 of a cent	various dates in September and October 2014
Last	0.7 of a cent	17 October 2014

- (k) the primary purpose of the issue of the Options to Robert Crombie (or his nominee) is to provide a market linked incentive package in his capacity as Managing Director and to motivate and reward Robert Crombie for the future performance by him in this role;
- (l) Robert Crombie declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he (or his nominee) is to be issued Options in the Company should Resolution 6 be passed;
- (m) Each of Wayne Millen, Paul Hopper, Roland Toder and Brendan de Kauwe recommends that Shareholders vote in favour of Resolution 6 for the following reasons:
  - (i) the issue of Options to Robert Crombie (or his nominee) will align the interests of Robert Crombie with those of Shareholders;
  - (ii) the issue of the Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Robert Crombie; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed;
- (n) with the exception of Robert Crombie, no other Director has a personal interest in the outcome of Resolution 6;
- (o) in forming their recommendations, each Director considered the experience of Robert Crombie, the current market price of Shares, the current market practices when determining the number of Options to be issued as well as the exercise price and expiry date of those Options; and
- (p) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Robert Crombie as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Options to Robert Crombie will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **7. RESOLUTION 7 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES**

### **7.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.



If Shareholders approve Resolution 7, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 7.2 below).

The effect of Resolution 7 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

## **7.2 ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$6,446,632.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one (1) class of quoted Equity Securities on issue, being the Shares (ASX Code: VHL).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$(A \times D) - E$
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Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under

the entity's 15% placement capacity without shareholder approval; and

(iv) less the number of Shares cancelled in the previous 12 months.

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### **7.3 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

#### **(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 7.3(a)(i), the date on which the Equity Securities are issued.

#### **(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

#### **(10% Placement Capacity Period).**

#### **(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A.2)	Dilution			
	Issue Price (per Share)	\$0.0035 50% decrease in Issue Price	\$0.007 Issue Price	\$0.014 100% increase in Issue Price
1,054,947,371 (Current Variable A)	Shares issued - 10% voting dilution	105,494,737 Shares	105,494,737 Shares	105,494,737 Shares
	Funds raised	\$369,232	\$738,463	\$1,476,926
1,582,421,057 (50% increase in Variable A)	Shares issued - 10% voting dilution	158,242,106 Shares	158,242,106 Shares	158,242,106 Shares
	Funds raised	\$553,847	\$1,107,695	\$2,215,389
2,109,894,742 (100% increase in Variable A)	Shares issued - 10% voting dilution	210,989,474 Shares	210,989,474 Shares	210,989,474 Shares
	Funds raised	\$738,463	\$1,476,926	\$2,953,853

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

- There are currently 1,054,947,371 Shares on issue comprising:
  - 920,947,371 existing Shares as at the date of this Notice of Meeting; and
  - 134,000,000 Shares (on a pre-Consolidation basis) which will be issued if Resolutions 8 and 9 are passed but the Milestones have not been reached (although the Company makes no forecast as to whether a Milestone will be reached and refers Shareholders to Section 8 below for further information).
- The issue price set out above is the closing price of the Shares on the ASX on 17 October 2014.
- The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options (including those proposed to be issued pursuant to Resolution 6) are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. 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%.
9. 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 Capacity, based on that Shareholder's holding at the date of the Meeting.
10. The table was prepared on a pre-Consolidation basis and assumes that all Shares proposed to be issued pursuant to Resolutions 8 and 9 are issued on a pre-Consolidation basis, although that may not be the case.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new assets and investments (including expenses associated with such an acquisition), continued expenditure in relation to the Company's existing biotechnology projects and potential future projects including expenditure on developing AKTivate's business if the Transaction is completed and for general working capital purposes; or
- (ii) as non-cash consideration for the acquisition of new assets and investments and in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

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

**(e) Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

## **7.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

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## 8. BACKGROUND TO THE TRANSACTION

The Company has entered into a binding share sale and purchase agreement (**Agreement**) pursuant to which it has agreed to conditionally acquire 100% of the issued share capital of an Australian proprietary company called AKTivate Therapeutics Pty Ltd (ACN 168 507 202) (**AKTivate**), an entity controlled by Mr Paul Hopper, a Director of the Company (**Transaction**).

AKTivate has entered into a Definitive Licence Agreement (**Definitive Licence Agreement**) to conditionally acquire an exclusive worldwide sub-licence (**Sub-licence**) of certain intellectual property from Cahaba Pharmaceuticals LLC, EIN-26-3991510 (**Cahaba**). The Definitive Licence Agreement is conditional on the Shareholders approving the Company's acquisition of the entire share capital in AKTivate on conditions acceptable to AKTivate, which is the subject of Resolutions 8 and 9.

The intellectual property the subject of the Sub-licence includes patents and patent applications regarding the proprietary novel drug Triciribine Phosphate Monohydrate (**TCN-P**), which is currently in two clinical studies (Phase I/II breast cancer trial at Albert Einstein/Montefiore Medical Centre and Phase I/II ovarian cancer trial at Moffitt Cancer Centre) (**Intellectual Property**). This Intellectual Property is sub-licensed to Cahaba from VioQuest Pharmaceuticals, Inc. (**VioQuest**) which itself is a licensee of the Intellectual Property from the University of South Florida Research Foundation, Inc (**University**).

The purpose of the Transaction is for the Company, through its proposed ownership of AKTivate, to seek to acquire the Sub-licence, consistent with the Company's existing oncology assets and business strategy.

### 8.1 The Intellectual Property

The patent rights contained in the Intellectual Property patent portfolio include TCN-P and methods of treatment and various combination products. The patent portfolio includes seven (7) issued United States patents and various pending United States patent applications. The Intellectual Property also includes patent applications pending in major international markets including Canada, Europe, Japan, and Korea.

The scope of the Sub-licence proposed to be provided to AKTivate covering the Intellectual Property is an exclusive, royalty-bearing, worldwide sub-licence, with rights to sub-licence. AKTivate is also obliged to pay milestone payments to Cahaba pursuant to the Definitive Licence Agreement upon achievement of milestones and an upfront fee of US\$300,000 to Cahaba (the latter of which the Company has agreed to pay, pursuant to the Agreement, immediately following settlement of the Transaction, if that occurs).

### 8.2 Consultation with ASX – Chapter 11 of the ASX Listing Rules

Following consultation by the Company with ASX, ASX has confirmed in writing to the Company that, based solely on the information provided to ASX by the Company, ASX does not require the Company to re-comply with Chapters 1 and 2 of the Listing Rules pursuant to ASX Listing Rule 11.1.3 or to obtain Shareholder approval pursuant to ASX Listing Rule 11.1.2 in relation to the Transaction.

### 8.3 Conditions precedent

Completion of the Transaction is conditional upon the satisfaction (or waiver by the Company) of the following outstanding conditions precedent (**Conditions**):

- (a) the Company receiving from the University and VioQuest, one or more letters of acknowledgement in relation to certain matters relating to the Sub-licence;
- (b) the parties to the Agreement obtaining all shareholder, statutory and regulatory approvals required to undertake the Transaction or that are required by the Company;
- (c) the parties obtaining, in a form reasonably satisfactory to the Company, all third party consents or waivers which are, in the opinion of the Company, necessary or desirable to complete the Transaction (including but not limited to confirmations or waivers of the ASX Listing Rules);
- (d) the Company considering that it is under no obligation, statutory or otherwise, to issue a disclosure document pursuant to the Corporations Act or an equivalent document under foreign laws in order to offer to issue Shares in accordance with the Transaction;
- (e) restriction agreements are entered into by the AKTivate shareholders (and where necessary their controllers) in relation to the Tranche 1 Shares and Tranche 2 Shares to the extent required under Chapter 9 of the ASX Listing Rules (if applicable);
- (f) the Company giving notice to AKTivate confirming that it is satisfied that no material adverse effects have occurred with respect to certain aspects of the Transaction;
- (g) AKTivate acquires the Sub-licence as licensee; and
- (h) if applicable, each of AKTivate's shareholders waiving all pre-emptive or other rights over any AKTivate shares conferred by the constituent documents of AKTivate, any shareholders agreement relating to AKTivate shares or in any other way (if any).

If the Conditions are not satisfied (or waived by the Company) by 31 January 2015 (or such other date agreed between the Company and AKTivate), the Agreement may be terminated by any party to it and the Transaction would not occur pursuant to the Agreement, unless the parties agree otherwise.

### 8.4 Consideration

Subject to the satisfaction (or waiver by the Company) of the Conditions set out in Section 8.3 above, the consideration to be paid to the AKTivate shareholders for 100% of the issued share capital of AKTivate will be satisfied through the issue by the Company of up to the following number of Shares (together the **Consideration Shares**):

- (a) the issue of 134,000,000 (on a pre-Consolidation basis) or 6,700,005 (on a post-Consolidation basis) Consideration Shares, with a deemed issue price of AU\$0.01 per Share on a pre-Consolidation basis or AU\$0.20 per Share on a post-Consolidation basis, to be issued upon completion of the Transaction to AKTivate shareholders in the proportions set out in

Sections 9.3(a) and 10.2(d) of this Explanatory Statement (**Tranche 1 Shares**); and

- (b) subject to the satisfaction of any one or more of:
- (i) Milestone 1 – TCN-P successfully causing an Overall Response Rate for ovarian cancer treatment of 30% or greater for AKTivate's ovarian cancer trial of at least 30 patients and with an Acceptable Safety Profile within two years after settlement of the Transaction;
  - (ii) Milestone 2 – TCN-P successfully causing a Pathologic Complete Response Rate for breast cancer treatment of 50% or greater for AKTivate's breast cancer trial of at least 30 patients and with an Acceptable Safety Profile within two years after settlement of the Transaction; and
  - (iii) Milestone 3 – TCN-P successfully causing an Overall Response Rate for Leukaemia of 40% for AKTivate's Leukaemia trial of at least 30 patients and with an Acceptable Safety Profile within two years after settlement of the Transaction,

(together the **Milestones**) the issue of 100,000,000 (on a pre-Consolidation basis) or 5,000,004 (on a post-Consolidation basis) Consideration Shares (**Tranche 2 Shares**) to the Hopper Parties (as defined in clause 9.2), in the proportions set out in Section 9.3(a) of this Explanatory Statement, within 10 Business Days after the first satisfaction of one or more of the Milestones. The Company has applied for a waiver from ASX Listing Rule 10.13.3 to permit the issue of the Tranche 2 Shares up to two years after settlement of the Transaction, but as at the date of this Notice of Meeting, the Company has not yet received ASX's decision with respect to the waiver but will announce the result of that application when it is received.

## 8.5 Capital structure

The tables showing the effect of the Transaction on the Company's capital structure is set out in Section 11.6 of this Explanatory Statement. Those tables make various assumptions for illustrative purposes, described as notes to the tables, but the Company makes no forecast or representation as to whether those assumptions will occur.

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## 9. RESOLUTION 8 – RELATED PARTY TRANSACTIONS AND INCREASE OF VOTING POWER

### 9.1 ASX Listing Rule 10.1 – Acquisition of a substantial asset from a related party

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not, without its shareholders' approval, acquire a 'substantial' asset from, or dispose of a substantial asset to, among other specified parties, a related party.

An asset is 'substantial' if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the company's equity interests as set out in the latest accounts given to ASX under the Listing Rules.

Some of the AKTivate shareholders are related parties of the Company.



As a Director, Paul Hopper is a related party of the Company for the purposes of section 228 of the Corporations Act. In addition, the other Hopper Parties (as described in Section 9.2), who are also AKTivate Shareholders, also related parties of the Company for the reasons set out Section 9.2 of this Explanatory Statement.

Based on the Company's Annual Financial Report for the period ended 30 June 2014, the Company's total equity interests were \$5,026,822. As a result, an asset will be deemed to be 'substantial' if its value is at least 5% of this amount. Accordingly, the acquisition of AKTivate in accordance with the Agreement will constitute the acquisition of a substantial asset from those AKTivate shareholders who are related parties of the Company (being the Hopper Parties), for which Shareholder approval is sought pursuant to ASX Listing Rule 10.1.

Accompanying this Notice at Annexure A is an Independent Expert's Report prepared by Stantons International providing a detailed analysis of those aspects of the proposed Transaction which are the subject of Resolution 8 and the potential increase in voting power of the Hopper Parties and their associates. The report concludes that each of those parts of the Transaction is **not fair but reasonable** to the non-associated Shareholders.

The Independent Expert's Report is also accessible on the Company's website at [www.virax.com.au](http://www.virax.com.au). The Company will send a further hard copy of the Independent Expert's Report free of charge to any Shareholder who requests it.

The passing of Resolution 8 is subject to and conditional on the passing of Resolution 9.

## **9.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Consideration Shares constitutes giving a financial benefit to the following AKTivate shareholders, who are related parties of the Company by virtue of:

- (a) Mr Paul Hopper, being a Director;
- (b) Moreglade Pty Limited ACN 051 064 692 and Kilinwata Investments Pty Ltd ACN 009 641 212 being controlled by Mr Paul Hopper; and
- (c) Deborah Anne Coleman being the spouse of Mr Hopper; and

- (d) Alexandra Jane Hopper, Horatia Isabelle Wiseman Hopper, India Lucy Hopper and Scarlett Augusta Wiseman Hopper being children of Mr Hopper,

(together the **Hopper Parties**).

The Board, other than Paul Hopper, consider the estimated value of the financial benefit given on the acquisition of AKTivate will be determined by reference to the market price of Consideration Shares on their dates of issue. Based on the market price of Shares as at 17 October 2014 of \$0.07 per Share, the estimated value of the financial benefit given on the acquisition of AKTivate (if it were acquired as at 17 October 2014 would be approximately \$0.07 per Consideration Share (on a pre-Consolidation basis). The actual value of the financial benefit given on the acquisition of AKTivate may vary upwards or downwards depending on the price at which Shares are trading at the time acquired.

The Directors (excluding Paul Hopper, due to his material personal interest in the Transaction, as a Hopper Party) consider that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 may not apply in the current circumstances. Whilst the Transaction has been negotiated on arms' length terms, given the complexity of the Transaction and the fact that other approvals are required, the Directors believe it to be best practice to obtain this additional approval. Accordingly, approval is being sought for the issue of the Consideration Shares pursuant to Resolution 8 for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11.

### 9.3 Technical information required by ASX Listing Rule 10.13 and section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13 and section 219 of the Corporations Act, the following information is provided in relation to the issue of the Consideration Shares pursuant to Resolution 8:

- (a) the recipients of the Consideration Shares pursuant to Resolution 8 and the maximum number of Consideration Shares they may be issued with under that Resolution will be as follows:

NAME OF AKTIVATE SHAREHOLDER	TRANCHE 1 SHARES (PRE-CONSOLIDATION BASIS)	TRANCHE 2 SHARES SUBJECT TO THE MILESTONES (PRE-CONSOLIDATION BASIS)	TRANCHE 1 SHARES (POST-CONSOLIDATION BASIS)	TRANCHE 2 SHARES SUBJECT TO THE MILESTONES (POST-CONSOLIDATION BASIS)
Paul Edward Alexander Hopper	4,333,333	4,333,333	216,667	216,667
Deborah Anne Coleman	26,333,333	26,333,333	1,316,667	1,316,667
Alexandra Jane Hopper	666,667	666,667	33,334	33,334
Horatia Isabelle Wiseman Hopper	666,667	666,667	33,334	33,334

India Lucy Hopper	666,667	666,667	33,334	33,334
Scarlett Augusta Wiseman Hopper	666,667	666,667	33,334	33,334
Kilinwata Investments Pty Ltd ACN 009 641 212	41,666,667	50,000,000	2,083,334	2,500,000
Moreglade Pty Limited ACN 051 064 692	16,666,666	16,666,666	833,334	833,334
<b>TOTAL</b>	<b>91,666,667</b>	<b>100,000,000</b>	<b>4,583,338</b>	<b>5,000,004</b>

- (b) ASX Listing Rule 10.13.3 provides that the Consideration Shares must be issued within one month of the date of the Annual General Meeting. The Company has applied to the ASX for a waiver of this rule in order for the Consideration Shares to be issued after satisfaction of a Milestone, by no later than two years after the date of the Meeting. As at the date of this Notice of Meeting, the Company has not yet received ASX's decision with respect to the waiver but will announce the result of that application when it is received;
- (c) the Consideration Shares will be issued for nil cash consideration as they will be issued to the Hopper Parties in consideration for the acquisition of AKTivate;
- (d) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the registered holdings of the Hopper Parties in the Company's securities as at the date of this Notice (on a pre-Consolidation basis) are set out below:

Related party	Shares	Options
Paul Edward Alexander Hopper	6,000,000	Nil
Deborah Anne Coleman	7,200,000	Nil
Kilinwata Investments Pty Ltd	10,440,000	Nil
Moreglade Pty Ltd	12,000,000	Nil
Alexandra Jane Hopper	Nil	Nil
Horatia Isabelle Wiseman Hopper	Nil	Nil
India Lucy Hopper	Nil	Nil
Scarlett Augusta Wiseman Hopper	Nil	Nil
<b>Total</b>	<b>35,640,000</b>	<b>Nil</b>

Each registered holder in the table directly above has a relevant interest in the number of Shares indicated against their name.

Additionally, Paul Hopper has a relevant interest in all of the Shares in the table directly above as he controls the voting and disposal of those securities and controls Moreglade Pty Ltd and Kilinwata Investments Pty Ltd.

Additionally Deborah Anne Coleman has a relevant interest in the Shares held by Moreglade Pty Ltd and Kilinwata Investments Pty Ltd as she holds all of the shares in Moreglade Pty Ltd and holds half of the shares in Kilinwata Investments Pty Ltd;

- (f) the remuneration and emoluments from the Company to Paul Hopper for both the current financial year and previous financial year (inclusive of superannuation) are set out below:

Related Party	Current Financial Year	Previous Financial Year
Paul Hopper	\$90,000	\$7,500

- (g) No other Hopper Party has received remuneration or emoluments from the Company for the previous financial year, nor is anticipated to receive remuneration or emoluments from the Company for the current financial year;
- (h) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in Section 6.4(j);
- (i) if all the Consideration Shares are issued pursuant to Resolutions 8 and 9 (assuming they are both approved at the Meeting), a total of 234,000,000 Shares (on a pre-Consolidation basis) or 11,700,009 Shares (on a post-Consolidation basis) assuming a Milestone is achieved. This will increase the number of Shares on issue from 920,947,371 to 1,154,947,371 Shares (on a pre-Consolidation basis) (assuming that all Consideration Shares are issued and exercised and assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 16.60% by the issue pursuant to Resolution 8 of 191,666,667 Shares (on a pre-Consolidation basis) or 9,583,342 Shares (on a post-Consolidation basis);
- (j) no funds will be raised from the issue of the Consideration Shares pursuant to Resolution 8 as they will be issued in consideration for the Company acquiring the AKTivate shares held by the Hopper Parties; and
- (k) refer to Sections 9.6 and 9.7 for the Directors' interests and recommendations in relation to Resolution 8.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Consideration Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Consideration Shares will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

## 9.4 Item 7 of Section 611 of the Corporations Act

### **Section 606 of the Corporations Act – statutory prohibition**

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%,

**(Prohibition).**

### ***Voting power***

A person's voting power in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

### ***Associates***

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

Each of the Hopper Parties are associates of each other due to:

- (a) Mr Hopper controlling Kilinwata Investments Pty Ltd ACN 009 641 212 and Moreglade Pty Limited ACN 051 064 692; and
- (b) each of the Hopper Parties acting or proposing to act in concert with each other in relation to the Company's affairs.

### ***Relevant interests***

Section 608(1) of the Corporations Act provides that a person has a 'relevant interest' in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (a) a body corporate in which the person's voting power is above 20%;
- (b) a body corporate that the person controls.

As at the date of this Notice, the Hopper Parties have an aggregate relevant interest in 35,640,000 Shares (on a pre-Consolidation basis) as described in Section 9.3(e).

### **Reason why Section 611 approval required**

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Shareholder approval under Item 7 of Section 611 of the Corporations Act is required for Resolution 8.

### **Increase in relevant interest and voting power**

Pursuant to the Company's acquisition of Pathway Oncology Pty Ltd, the completion of which the Company announced to the ASX Market Announcements Platform on 30 May 2014 (**Pathway Acquisition**), subject to satisfaction of certain milestones, up to 180,000,000 further Shares (on a pre-Consolidation basis) are to be issued by the Company as deferred consideration for the Pathway Acquisition (the **Deferred Pathway Acquisition Shares**). Certain Hopper Parties may be issued with part of those Deferred Pathway Acquisition Shares as set out in the following table. Although Shareholders approved that issue at the Company's general meeting on 9 May 2014, further approval is sought pursuant to Resolution 8 for the effect of that issue increasing the voting power of the Hopper Parties and their associates, when aggregated with their proposed allocations of Consideration Shares.

NAME OF PATHWAY SHAREHOLDER	PATHWAY MILESTONE 1 SHARES (PRE-CONSOLIDATION BASIS)	PATHWAY MILESTONE 2 SHARES (PRE-CONSOLIDATION BASIS)	PATHWAY MILESTONE 1 SHARES (POST-CONSOLIDATION BASIS)	PATHWAY MILESTONE 2 SHARES (POST-CONSOLIDATION BASIS)
Paul Edward Alexander Hopper	9,000,000	9,000,000	450,000	450,000
Deborah Anne Coleman	10,800,000	10,800,000	540,000	540,000
Kilinwata Investments Pty Ltd ACN 009 641	15,660,000	15,660,000	783,000	783,000

212				
Moreglade Pty Limited ACN 051 064 692	18,000,000	18,000,000	900,000	900,000
<b>TOTAL</b>	<b>53,460,000</b>	<b>53,460,000</b>	<b>2,673,000</b>	<b>2,673,000</b>

There is the potential for an increase in the relevant interest of the Hopper Parties in the Company from 35,640,000 Shares (on a pre-Consolidation basis) to up to 334,226,667 Shares (on a pre-Consolidation basis) or 16,711,342 Shares (on a post-Consolidation basis) and an increase in the voting power of each of the Hopper Parties and their associates from 3.87% up to a maximum of 25.04% (being an increase of up to 21.17% assuming that:

- (a) Shareholders approve Resolutions 8 and 9;
- (b) the Company acquires AKTivate;
- (c) the Hopper Parties are issued 191,666,667 (on a pre-Consolidation basis) or 9,583,342 (on a post-Consolidation basis) Consideration Shares in the proportions specified in Section 9.3(a);
- (d) the Consideration Shares the subject of Resolution 9 are issued;
- (d) a Milestone is achieved within the required time;
- (e) all Deferred Pathway Acquisition Shares are issued pursuant to the Pathway Acquisition following satisfaction of the relevant milestones; and
- (f) no other Shares are issued or Options are exercised.

### ***Prescribed information – ASIC Regulatory Guide***

The following information is required to be provided to Shareholders in accordance with the Corporations Act and ASIC Regulatory Guide 74 in respect of an approval under Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International annexed to this Explanatory Statement as Annexure A.

#### **(a) Acquirer**

It is proposed that each Hopper Party will acquire up to the number of Consideration Shares set out in Section 9.3(a) and that number of Deferred Pathway Acquisition Shares disclosed in this Section 9.4 above, pursuant to Resolution 8.

Each of the Hopper Parties is an associate of each other Hopper Party (**Associates**) and the Hopper Parties have no further associates other than the Associates.

Any relationship or association as detailed in relation to this Notice of Meeting or Explanatory Statement concerning the Hopper Parties (including Paul Hopper) pertains to their relationship and associations under the specified provisions of the Corporations Act and ASX Listing Rules in connection with their applicable interests in the Company. Any

relationship or association in this context should not be taken or deemed to apply to any other circumstance.

**(b) Relevant interests and voting power**

As at the date of this Notice, the Hopper Parties and their Associates have a relevant interest in 35,640,000 Shares. Mr Hopper and his Associates therefore each have a voting power of 3.87%. Shareholders' approval is sought pursuant to Resolution 8 for their potential maximum increase in voting power and relevant interests as disclosed in this Section 9.4 above.

**(c) The Hopper Parties' intentions**

As a Director, Mr Hopper has certain controls on decisions made by the Board. Subject to those controls and, other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Mr Hopper and the other Hopper Parties:

- (i) have no intention of making any significant changes to the Company's business;
- (ii) have no intention to inject further capital into the Company;
- (iii) have no intention of making changes regarding the future employment of the Company's present employees;
- (iv) do not intend to redeploy any of the Company's fixed assets;
- (v) do not intend to transfer any property between the Company and any Hopper Parties or their associates; and
- (vi) do not intend to significantly change the Company's financial or dividend distribution policies.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Hopper Parties at the date of this Notice.

**(d) Particulars of proposed issue and timing**

Particulars relating to the proposed issue of the Consideration Shares the subject of Resolution 8 and proposed timing are set out in detail at Sections 8 and 9 of this Explanatory Statement.

**(e) Reason for the proposed issue**

The Consideration Shares the subject of Resolution 8 will be issued as consideration for the acquisition of the AKTivate shares held by the Hopper Parties. Tranche 1 Shares will be issued on completion of the Transaction and Tranche 2 Shares will be issued on satisfaction of a Milestone.

The Deferred Pathway Acquisition Shares are proposed to be issued as part consideration for the Pathway Acquisition as previously approved by Shareholders at the Company's general meeting held on 9 May 2014.



**(f) Directors' interests and recommendations**

Refer to Sections 9.6 and 9.7 for the Directors' interests and recommendations in relation to Resolution 8.

**(g) Capital structure**

The Company's pro-forma capital structure assuming completion of the Transaction (and assuming the Consolidation occurs, which is not a condition of the Transaction) is set out at Section 11.6 of the Explanatory Statement below.

**9.5 Independent Expert's Report**

The Independent Expert's Report assesses whether the Hopper Parties' acquisition of Consideration Shares and their increase in voting power, with their associates, under Resolution 8 is fair and reasonable to the Shareholders who are not associated with the Hopper Parties.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of Shares the subject of Resolution 8. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert's Report concludes that the proposal as outlined in Resolution 8, on balance, is **not fair but reasonable** to the non-associated Shareholders.

The Independent Expert's Report is enclosed with this Notice of Meeting. The Board recommends Shareholders read the Independent Expert's Report in full.

**9.6 Interest of Director**

Mr Hopper is a Director and has an interest in the outcome of Resolution 8. If Resolution 8 is passed then Mr Hopper and the other Hopper Parties may subsequently be issued with the number of Consideration Shares set out in Section 9.3(a) of this Explanatory Statement and will be permitted to receive up to their maximum entitlements to Deferred Pathway Acquisition Shares as described above.

**9.7 Directors' recommendations**

The current Directors other than Mr Hopper unanimously recommend that Shareholders vote in favour of Resolution 8 as they consider the advantages of the Transaction outweigh the disadvantages. Mr Hopper abstains from making a recommendation in relation to Resolution 8 because he has a material personal interest in Resolution 8 as he will be issued Consideration Shares if Resolutions 8 and 9 are passed and the Transaction is completed.

Each Director other than Mr Hopper will vote, or procure the voting of any Director-controlled Share, in favour of Resolution 8.

None of the Directors other than Mr Hopper have an interest in the outcome of Resolution 8 save for an interest as a Shareholder of the Company.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.

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## **10. RESOLUTION 9 – ISSUE OF CONSIDERATION SHARES TO UNRELATED PARTIES**

### **10.1 General**

Subject to and conditional upon Resolutions 8 and 9 being passed and the satisfaction (or waiver by the Company) of the Conditions, upon completion of the Transaction, the shareholders of AKTivate who are not Hopper Parties, will receive (or their nominees will receive) 42,333,333 Consideration Shares (on a pre-Consolidation basis) or 2,116,667 Consideration Shares (on a post-Consolidation basis), all being Tranche 1 Shares.

The maximum number of 42,333,333 Consideration Shares (on a pre-Consolidation basis) or 2,116,667 Consideration Shares (on a post-Consolidation basis) potentially to be issued in aggregate to the shareholders of AKTivate who are not Hopper Parties, in addition to the total number of Consideration Shares the subject of Resolution 8, make up the total Consideration Shares proposed to be issued in relation to the Transaction.

The passing of Resolution 9 is subject to and conditional on the passing of Resolution 8.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 9 will be to allow the Company to issue up to 42,333,333 Consideration Shares (on a pre-Consolidation basis) or 2,116,667 Consideration Shares (on a post-Consolidation basis) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **10.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 9 (in addition to the information provided elsewhere in this Notice):

- (a) the maximum number of Consideration Shares to be issued under Resolution 9 is 42,333,333 (on a pre-Consolidation basis) or 2,116,667 (on a post-Consolidation basis);
- (b) the Consideration Shares the subject of Resolution 9 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Consideration Shares will be issued for nil cash consideration as they will be issued as part consideration for the acquisition of AKTivate;
- (d) the Consideration Shares the subject of Resolution 9 are proposed to be issued to the AKTivate shareholders who are not Hopper Parties, or the nominees of those AKTivate shareholders as follows:

<b>NAME OF AKTIVATE</b>	<b>TRANCHE 1 SHARES (PRE-</b>	<b>TRANCHE 1 SHARES (POST-</b>
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<b>SHAREHOLDER</b>	<b>CONSOLIDATION BASIS)</b>	<b>CONSOLIDATION BASIS)</b>
Professor Said Sebti & Mrs Michele Sebti	10,000,000	500,000
Cahaba	24,000,000	1,200,000
Howlett Retirement Pty Ltd ACN 119 884 767	8,333,333	416,667
<b>TOTAL</b>	<b>42,333,333</b>	<b>2,116,667</b>

- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds will be raised from the issue of the Consideration Shares as they will be issued in part consideration for the Company acquiring AKTivate.

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## **11. RESOLUTION 10 – CONSOLIDATION OF CAPITAL**

### **11.1 Background**

If Resolution 10 is passed and excluding any securities issued pursuant to the other Resolutions and assuming no Options are exercised, the number of:

- (a) Shares on issue will be reduced from 920,947,371 to 46,047,369 (subject to rounding); and
- (b) Options on issue will be reduced from 87,700,000 to 4,385,000 (subject to rounding).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward.

### **11.2 Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### **11.3 Fractional entitlements**

Not all security holders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 20. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option (as the case may be).

### **11.4 Taxation**

It is not considered that any taxation implications will exist for security holders arising from the Consolidation. However, security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

### **11.5 Holding statements and Option certificates**

From the date of the Consolidation:

- (a) all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Consolidation basis; and
- (b) all certificates for unlisted Options will cease to have any effect, except as evidence of entitlement to a certain number of Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to Option holders.

It is the responsibility of each security holder to check the number of securities held prior to disposal or exercise (as the case may be).

## 11.6 Effect on capital structure

The estimated effect which the Consolidation will have on the Company's capital structure is set out in the tables below.

Shares	Number
Shares currently on issue	920,947,371
Tranche 1 Shares to be issued on a pre-Consolidation basis pursuant to Resolution 8	91,666,667
Tranche 1 Shares to be issued on a pre-Consolidation basis pursuant to Resolution 9	42,333,333
<b>Sub-total</b>	<b>1,054,947,371</b>
Consolidation (1 for 20 basis, subject to rounding)	52,747,369
Tranche 2 Shares to be issued on a post-Consolidation basis pursuant to Resolution 8 subject to satisfaction of at least one Milestone	5,000,004
Deferred Pathway Acquisition Shares to be issued on a post-Consolidation basis subject to satisfaction of the relevant milestones	9,000,000
<b>Total Shares<sup>1</sup></b>	<b>66,747,373</b>

Note:

1. This table is based on the following assumptions (although no representation is made as to whether these events will occur):
  - a. no Options are exercised;
  - b. no other Shares are issued other than those pursuant to the Resolutions;
  - c. Resolutions 8 and 9 are approved;
  - d. all Tranche 1 Shares are issued on a pre-Consolidation basis;
  - e. the maximum number of Deferred Pathway Acquisition Shares are issued on a post-Consolidation basis (assuming that the relevant milestones are satisfied); and
  - f. one or more Milestones is satisfied and all Tranche 2 Shares are issued on a post-Consolidation basis.

Options	Number
Options currently on issue (exercisable at \$0.005 each by 12 October 2017, on a pre-Consolidation basis) <sup>1</sup>	87,700,000
Pre-Consolidation Options to be issued pursuant to Resolution 6 <sup>2</sup>	40,000,000
<b>Sub-total</b>	<b>127,700,000</b>
Consolidation (1 for 20 basis, subject to rounding)	6,385,000
<b>Total Options<sup>3</sup></b>	<b>6,385,000</b>

Note:

1. On a post-Consolidation basis existing Options on issue would be exercisable at \$0.1 each by 12 October 2017.
2. The terms of Options proposed for issue pursuant to Resolution 6 are described in Schedule 1 (on a pre-Consolidation basis) and in Section 6.4(d) (on a post-Consolidation basis).

3. This table is based on the following assumptions (although no representation is made as to whether these events will occur):
  - a. no options are exercised;
  - b. Resolution 6 is approved;
  - c. no other Options are issued other than those pursuant to Resolution 6; and
  - d. the Options the subject of Resolution 6 are issued on a pre-Consolidation basis.

## 11.7 Indicative timetable\*

If Resolution 10 is passed, the consolidation of capital is proposed to take effect in accordance with the following indicative timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company tells ASX that Shareholders have approved the Consolidation.	28 November 2014
Last day for pre-Consolidation trading.	1 December 2014
Post-Consolidation trading starts on a deferred settlement basis.	2 December 2014
Last day for Company to register transfers on a pre-Consolidation basis.	4 December 2014
First day for the Company to send notice to each security holder of the change in their details of holdings	5 December 2014
First day for the Company to register securities on a post-Consolidation basis	
First day for issue of new holding statements	
Issue date	11 December 2014
Deferred settlement market ends	
Last day for the Company to send notice to each security holder of the change in their details of holdings and to enter securities into the holders' security holdings	
Last day for issue of new holding statements or certificates for consolidated Shares and Options	

\* The above timetable is indicative only. The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

## 12. RESOLUTION 11 – SPILL RESOLUTION

If less than 25% of the votes cast on either of:

- (a) Resolution 1; or
- (b) the resolution at the Company's 2013 Annual General Meeting for consideration of the remuneration set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2013 (2013 Remuneration Report).

are respectively voted against adoption of the Remuneration Report or the 2013 Remuneration Report, the Chair will withdraw Resolution 11.

## **12.1 General**

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

## **12.2 Proxy voting restrictions**

Shareholders appointing a proxy for this Resolution should note the voting restrictions set out in Section 2.4 apply in the same manner to this Resolution.

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## 13. GLOSSARY

**\$** means Australian dollars.

**10% Placement Capacity** has the meaning given in Section 7.1 of the Explanatory Statement.

**Acceptable Safety Profile** means a safety profile without any serious adverse events, being an event which would result in the premature suspension or termination of any one of the trials the subject of the Milestones.

**AKTivate** means AKTivate Therapeutics Pty Ltd ACN 168 507 202.

**Agreement** means the binding share sale and purchase agreement between the Company, AKTivate and AKTivate shareholders.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Cahaba** means Cahaba Pharmaceuticals LLC, EIN-26-3991510.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Virax Holdings Limited (ACN 006 569 106).

**Complete Response Rate** means the disappearance of all target lesions.

**Conditions** means the conditions precedent to the Transaction set out in Section 8.3 of the Explanatory Statement.



**Consideration Shares** means 234,000,000 Shares (on a pre-Consolidation basis) or 11,700,009 Shares (on a post-Consolidation basis) to be issued as consideration of the acquisition of AKTivate.

**Consolidation** means the proposed consolidation of the Shares and Options on a 1 for 20 basis, the subject of Resolution 10.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deferred Pathway Acquisition Shares** means the up to 180,000,000 Shares (on a pre-Consolidation basis) or 9,000,000 Shares (on a post-Consolidation basis) in deferred consideration for the Pathway Acquisition, half of which are subject to the first of the following milestones and half of which are subject to the second milestone, in relation to the intellectual property the subject of the Pathway Acquisition (which, for the avoidance of doubt, does not include the Intellectual Property):

- (a) Pathway Milestone 1 – within 18 months of the date of settlement of the Pathway Acquisition, re-activation or re-opening, or allowance, of IND for any disease indication by US FDA; and
- (b) Pathway Milestone 2 – within 36 months of the date of settlement of the Pathway Acquisition, dosing of the first patient in a Phase Ib/II trial for any disease indication.

**Definitive Licence Agreement** means the definitive binding licence agreement entered into between AKTivate and Cahaba.

**Directors** means the current directors of the Company.

**EDST** means Eastern Daylight Savings Time as observed in Melbourne, Victoria.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Hopper Parties** means each of the following:

- (a) Paul Edward Alexander Hopper;
- (b) Deborah Anne Coleman;
- (c) Alexandra Jane Hopper;
- (d) Horatia Isabelle Wiseman Hopper;
- (e) India Lucy Hopper;
- (f) Scarlett Augusta Wiseman Hopper;

(g) Kilinwata Investments Pty Ltd ACN 009 641 212; and

(h) Moreglade Pty Limited ACN 051 064 692.

**Intellectual Property** has the meaning given in Section 8.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Managing Director** means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

**Milestone** means any one or more of Milestone 1, Milestone 2 or Milestone 3 described in Section 8.4 of the Explanatory Statement and **Milestones** means all of them.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Overall Response Rate** means confirmation of both Complete Response Rate and Partial Response Rate.

**Partial Response Rate** means at least a 30% decrease in the sum of the diameters of target lesions, taking as reference the baseline sum diameters.

**Pathologic Complete Response Rate** is defined according to the United States Food and Drug Administration Guidance for Industry "Pathological Complete Response in Neoadjuvant Treatment of High-Risk Early-Stage Breast Cancer: Use as an Endpoint to Support Accelerated Approval" dated October 2014.

**Pathway Acquisition** means the Company's acquisition of Pathway Oncology Pty Ltd, the completion of which the Company announced to the ASX Market Announcements Platform on 30 May 2014.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement unless otherwise specified.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Stantons International** means Stantons International Securities Pty Ltd (trading as Stantons International Securities).

**Sub-licence** means the exclusive worldwide sub-licence of the Intellectual Property defined in section 8.

**TCN-P** means Triciribine Phosphate Monohydrate.

**Trading Day** has the same meaning as in the ASX Listing Rules.

**Tranche 1 Shares** means the 134,000,000 (on a pre-Consolidation Shares) or 6,700,005 (on a post-Consolidation basis) Consideration Shares to be issued upon completion of the Transaction to AKTivate shareholders.

**Tranche 2 Shares** means the 100,000,000 (on a pre-Consolidation Shares) or 5,000,004 (on a post-Consolidation basis) Consideration Shares to be issued, upon satisfaction of a Milestone, to the Hopper Parties.

**Transaction** means the proposed acquisition by the Company of 100% of the issued share capital of AKTivate.

**Vacating Directors** means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

**Variable A** means "A" as set out in the calculation in section 7.2 of the Explanatory Statement.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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The terms and conditions attaching to the Options (on a pre-Consolidation basis) are set out below:

1. Subject to point 3 below, each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price equal to the closing price of the Shares on the date that Shareholder approval for the issue of the Options is obtained. (**Exercise Price**).
2. The Options are exercisable at any time on or before 5.00pm Western Standard Time on the date which is four years from the date of issue of the Options (**Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.
3. The Options shall be divided into four equal classes (Tranche 1, Tranche 2, Tranche 3 and Tranche 4).
  - (a) Tranche 1 – 10,000,000 Options will vest if the Share price equals or exceeds 1.5 cents over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days at any time after the issue.
  - (b) Tranche 2 – 10,000,000 Options will vest if the Share price equals or exceeds 3 cents over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is one year after the date of issue of the Options and if Robert Crombie is still an employee of the Company two (2) years after the issue of the Options.
  - (c) Tranche 3 – 10,000,000 Options will vest if the Share price equals or exceeds 4 cents over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is two years after the date of issue of the Options and if Robert Crombie is still an employee of the Company three (3) years after the issue of the Options.
  - (d) Tranche 4 – 10,000,000 Options will vest if the Share price equals or exceeds 6 cents over ten (10) Trading Days in any twenty (20) sequential Trading Days out of sixty (60) days either side of the date which is three (3) years after the date of issue of the Options and if Robert Crombie is still an employee of the Company four (4) years after the issue of the Options.
4. If prior to the expiry date of the Options:
  - (a) the Company is required by the ASX to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
  - (b) the Company has received conditional approval for reinstatement to trading of its securities on ASX (at a time when the Company reasonably believes it can fulfil all of the requirements of Chapters 1 and 2 of the ASX listing rules) ("the **Conditional Approval**"); and
  - (c) at the time the Company receives the Conditional Approval, the Exercise Price is less than \$0.20 (having potentially been adjusted in accordance with ASX Listing Rule 7.22.1 following a consolidation of the Company's issued Shares),

then the Exercise Price will be increased to \$0.20.

5. Options may not be exercised if the effect of such exercise and subsequent issue of the Shares would be to create a holding of less than a marketable parcel of Shares unless the recipient of the Shares is already a Shareholder at the time of exercise.
6. Exercise of the Option may only occur if the Option is vested in accordance with point 3 above and such exercise is effected by completing a notice of exercise of option and delivering it to the registered office of the Company together with payment of the Exercise Price.
7. The Options are freely transferable, subject to any offer for sale of the Options complying with section 707 of the Corporations Act (if applicable).
8. All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three (3) days of the issue of the Shares.
9. A certificate will be issued for the Options.
10. There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in dividends or new entitlement issues of capital offered to Shareholders during the currency of the Options. However, The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least four (4) Business Days after the Issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
11. In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of the Company prior to the Expiry Date, The rights of an Optionholder will be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction. Otherwise, an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
12. Shares issued pursuant to the exercise of an Option will be issued not more than fourteen (14) days after the receipt of a proper notice and payment of the exercise price in respect of the Options exercised.
13. The Company will not apply for quotation of the Options on ASX.

## SCHEDULE 2 – VALUATION OF OPTIONS

The Options to be issued to Robert Crombie (or his nominee) pursuant to Resolution 6 have been valued by internal management.

Using the theoretical Monte Carlo simulations option model and based on the assumptions set out below, the Options were ascribed a value as follows:

Valuation date	2 October 2014	
Market price of Shares	\$0.006	
Exercise price	\$0.006	
Assumed expiry date	28 November 2018	
Risk free interest rate	2.50%	
Volatility	113%	
	<b>Indicative value per Option</b>	<b>Total value of Options</b>
<b>First Tranche</b>	<b>\$0.0042</b>	<b>\$42,000</b>
<b>Second Tranche</b>	<b>\$0.0038</b>	<b>\$38,000</b>
<b>Third Tranche</b>	<b>\$0.0035</b>	<b>\$35,000</b>
<b>Fourth Tranche</b>	<b>\$0.0030</b>	<b>\$30,000</b>

Note: The valuation noted above is not necessarily the market prices that the Options could be traded at and they are not automatically the market prices for taxation purposes.

## PROXY FORM

**VIRAX HOLDINGS LIMITED**  
**ACN 006 569 106**

### ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

**OR:** ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11:00am (EDST), on 28 November 2014 at Chartered Accountants, Level 3 Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000, and at any adjournment thereof.

#### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 6 and 11 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 6 and 11 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

#### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions other than Resolution 11, which the Chair intends to vote against. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – Brendan De Kauwe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Robert Crombie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Paul Hopper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Change of name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of options to Robert Crombie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Consideration Shares to related parties and increase of voting power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Consideration Shares to unrelated parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Spill resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

**Signature of Shareholder(s):**

**Individual or Shareholder 1**

Sole Director/Company Secretary

**Shareholder 2**

Director

**Shareholder 3**

Director/Company Secretary

**Date:** \_\_\_\_\_

**Contact name:** \_\_\_\_\_

**Contact ph (daytime):** \_\_\_\_\_

**E-mail address:** \_\_\_\_\_

**Consent for contact by e-mail  
in relation to this Proxy Form:**

YES ☐ NO ☐



## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Virax Holdings Limited, PO Box 6918, East Perth, WA, 6892; or
  - (b) facsimile to the Company on facsimile number +61 8 9355 4580; or
  - (c) email to the Company at [seanh@fjhsolutions.com.au](mailto:seanh@fjhsolutions.com.au),

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**

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## **ANNEXURE A – INDEPENDENT EXPERT'S REPORT**

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20 October 2014

The Directors  
Virax Holdings Limited  
Level 2 Riverside Quay,  
1 Southbank Boulevard  
SOUTHBANK VIC 3003

**The Independent Expert has concluded that the transaction related to the acquisition by Virax of the issued capital in AKTivate held by the Hopper Parties (as part of the Acquisition of AKTivate) and assuming the issue of the Deferred Pathway Acquisition Shares, the subject of Resolution 8 outlined in this Notice of General Meeting is not fair but reasonable to Shareholders of the Company (not associated with the Hopper Parties) as at the date of this report.**

Dear Sirs

**Re: VIRAX HOLDINGS LIMITED (ABN 56 006 569 106) (“VIRAX” OR “THE COMPANY”) ON THE PROPOSAL TO ACQUIRE SHARES IN AKTIVATE THERAPEUTICS PTY LTD (“AKTIVATE”) FROM THE HOPPER PARTIES (AS NOTED BELOW) AS PART OF THE ACQUISITION OF 100% OF THE SHARES IN AKTIVATE.**

## **1. Introduction**

- 1.1 We have been requested by the Directors of Virax to prepare an Independent Expert’s Report to determine the fairness and reasonableness as noted in Resolution 8 (the acquisition by the Company of the issued capital in AKTivate held by the Hopper Parties and assuming the issue of the Deferred Pathway Acquisition Shares (as noted below) and as referred to in the Notice of Meeting of Shareholders (“Notice”) and Section 9 of the Explanatory Statement (“ES”) attached to the Notice to be forwarded to shareholders in October 2014.
- 1.2 It is proposed that Virax will acquire 100% of the issued capital of AKTivate as announced to the market on 17 October 2014.
- 1.3 The proposal to acquire 100% of the shares in AKTivate is known in this report as the Acquisition. AKTivate (ACN 168 507 202) is an Australian proprietary company incorporated in March 2014. AKTivate has entered into an Intellectual Property Licence Agreement (“Definitive Licence Agreement”) to acquire an exclusive worldwide licence (“Licence”) to commercialise intellectual property (including patent rights as defined in Annexure C of the Binding Share Sale and Purchase Agreement between Virax and AKTivate (“SSPA”) relating to, without limitation, Triciribine Phosphate Monohydrate Product (“TCN-P”) the Triciribine a/k/a Triciribine Monophosphate a/k/a Tricyclic Nucleoside a/k/a API-2 for inhibition of AKT with antitumor activity in cancer cells overexpressing AKT or covered by Know-How (as defined in Annexure C of the SSPA) related thereto (“Technology”) to be licensed to AKTivate by Cahaba Pharmaceuticals LLC

EIN-26-3991510 (“Cahaba”) the details of which are set out in Annexure C of the SSPA (“Intellectual Property”).

1.4 In terms of the SSPA which is dated 16 October 2014, the Consideration for the Acquisition is as follows:

- (a) the issue of 134,000,000 Virax Shares (on a pre consolidated basis), with a deemed issue price of \$0.01 per Virax Share (“Virax Consideration Shares”), to be issued upon settlement of the Acquisition in the proportions set out in Annexure B of the SSPA; and
- (b) subject to the satisfaction of any one or more of Milestone 1, Milestone 2 or Milestone 3 (defined in clause 5 of the SSPA, together the Milestones), the issue of 100,000,000 Virax Shares (on a pre consolidated basis) (“Virax Milestone Shares”) to the shareholders other than Cahaba, Professor Said Sebti and Mrs Michele Sebti (the latter two being together referred to as “Sebti”), and Howlett Retirement Pty Ltd, in the proportions set out in Annexure B of the SSPA, within 10 business days after the first satisfaction of one or more of the Milestones.

Further details on the Milestones are set out in the ES and Paragraph 1.10 below.

1.5 A total of 134,000,000 Virax Consideration Shares and 100,000,000 Virax Milestone Shares (on a pre consolidated basis) (“together referred to as the Consideration Shares”) are to be issued for the Acquisition. Resolution 8 and 9 in the Notice refers to the issue of the Consideration Shares.

1.6 Certain of the Virax Consideration Shares and Virax Milestone Shares are to be issued to a shareholder and director of the Company, Paul Hopper or to parties related to Paul Hopper who are also AKTivate shareholders. As a director, Paul Hopper is a related party of the Company for purposes of Section 228 of the Corporations Act and he owns 6,000,000 shares in Virax. The relevant existing shareholders of the Company that are related to Paul Hopper as at 17 October 2014 are:

- Moreglade Pty Limited (“Moreglade”) which is controlled by Paul Hopper. Moreglade owns 12,000,000 shares in Virax (on a pre consolidated basis). Moreglade will receive 16,666,666 Virax Consideration Shares on Completion (as defined) of the Acquisition and potentially a further 16,666,666 Virax Milestone Shares (on a pre consolidated basis);
- Kilinwata Investments Pty Limited (“Kilinwata”) which is controlled by Paul Hopper. Kilinwata owns 10,440,000 shares in Virax (on a pre consolidated basis). Kilinwata will receive 41,666,667 Virax Consideration Shares on Completion (as defined) of the Acquisition and potentially a further 50,000,000 Virax Milestone Shares (on a pre consolidated basis);
- Deborah Anne Coleman (“Coleman”) is the spouse of Paul Hopper and has an interest of 7,200,000 shares in Virax (on a pre consolidated basis). Coleman will receive 26,333,333 Virax Consideration Shares (on a pre consolidated basis) on Completion (as defined) of the Acquisition and potentially a further 26,333,333 Virax Milestone Shares (on a pre consolidated basis);
- Alexandra Jane Hopper, Horatia Isabelle Wiseman Hopper, India Lucy Hopper and Scarlett Augusta Wiseman Hopper (“Hopper Children”) are the daughters of Paul Hopper and do not own any shares in the Company. The Hopper Children will receive 2,666,668 Virax Consideration Shares (on a pre consolidated basis) on

Completion (as defined) of the Acquisition and potentially a further 2,666,668 Virax Milestone Shares (on a pre consolidated basis).

- 1.7 The above parties are known in this report as the Hopper Parties. At 17 October 2014 the Hopper Parties own 35,640,000 shares (on a pre consolidated basis) in total representing approximately 3.87% of the 920,947,371 Virax shares on issue (on a pre consolidated basis).

In total the Hopper Parties will receive 91,666,667 Virax Consideration Shares (on a pre consolidated basis) on Completion of the Acquisition and potentially a further 100,000,000 Virax Milestone Shares (on a pre consolidated basis) if one or more of certain milestones are met. Prior to the issue of the Virax Milestone Shares and any other shares or options the Hopper Parties will own 127,306,667 shares (approximately 12.07%) in Virax (on a pre consolidated basis) on Completion of the Acquisition. Assuming the issue of the Virax Milestone Shares, the Hopper Parties will own 227,306,667 shares in Virax (on a pre consolidated basis) representing an approximate 19.68% interest respectively in the expanded shares on issue totalling 1,054,947,371 (on a pre consolidated basis) prior to the issue of the Virax Milestone Shares or 1,154,947,371 (on a pre consolidated basis) assuming the Virax Milestone Shares are issued.

The proposed acquisition by the Company of the shares in AKTivate held by the Hopper Parties forms part of Resolution 8, the subject of this report.

- 1.8 ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not, without its shareholders' approval, acquire a 'substantial' asset from, or dispose of a substantial asset to, among other specified parties, a related party. An asset is 'substantial' if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the company's equity interests as set out in the latest accounts given to ASX under the Listing Rules. Some of the AKTivate shareholders are related parties of the Company.

As a Director, Paul Hopper is a related party of the Company for the purposes of Section 228 of the Corporations Act. In addition, the other Hopper Parties (as described in Paragraph 1.6 above) who are also AKTivate Shareholders, are also related parties of the Company for the reasons set out in Section 9.2 of the ES. Based on the Company's Annual Financial Report for the year ended 30 June 2014, the Company's total equity interests were \$5,026,822. As a result, an asset will be deemed to be 'substantial' if its value is at least 5% of this amount. Accordingly, the acquisition of AKTivate in accordance with the SSPA will constitute the acquisition of a substantial asset from those AKTivate shareholders who are related parties of the Company (being the Hopper Parties), for which shareholder approval is sought pursuant to ASX Listing Rule 10.1.

As part of the Listing Rule 10.1, the Company has requested Stantons International Securities Pty Ltd to prepare this independent expert's report and report whether the proposal under Resolution 8 (to acquire the issued capital in AKTivate held by the Hopper Parties) is fair and reasonable to the Virax shareholders not associated with the Hopper Parties.

- 1.9 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no

votes were cast in favour of the resolution by the acquirer or the disposer or respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

Pursuant to the Company's acquisition of Pathway Oncology Pty Ltd ("Pathway"), the completion of which the Company announced to the ASX Market Announcements Platform on 30 May 2014 ("Pathway Acquisition"), certain Hopper Parties may be issued further shares, subject to satisfaction of certain milestones ("the Deferred Pathway Acquisition Shares"). The Hopper Parties could be issued a further 53,460,000 Pathway Milestone 1 Shares and a further 53,460,000 Pathway Milestone 2 Shares if certain milestones are met. There is a potential for an increase in the relevant interest of the Hopper Parties in the Company from 35,640,000 as at 17 October 2014 (on a pre consolidation basis) to up to 317,560,000 (on a pre consolidation basis) and an increase in the voting power of the Hopper Parties and their associates from 3.87% up to a maximum of 25.04% (being an increase of up to 19.92%) assuming that all the Virax Consideration Shares, Virax Milestone Shares and the Deferred Pathway Acquisition Shares are issued. As the Hopper Parties will potentially exceed 20% of the expanded issued capital of Virax as noted above, Section 611 (Item 7) approval is required specifically on issuing the 191,666,667 Virax Consideration and Virax Milestone Shares (on a pre consolidated basis) and the Deferred Pathway Acquisition Shares to the Hopper Parties. Therefore, an independent expert's report pursuant to Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 8.

The Company has requested Stantons International Securities Pty Ltd (trading as Stantons International Securities) to prepare an independent expert's report to assist the shareholders of Virax in determining as to whether they should vote for or against Resolution 8 as outlined in the Notice.

1.10 The conditions precedent (unless waived by Virax) to the Acquisition includes, inter-alia:

- Virax receiving from the University of South Florida Research Foundation, Inc., ("the University") and VioQuest Pharmaceuticals, Inc ("VioQuest"), one or more letters of acknowledgement in a form acceptable to Virax in its sole discretion, excluding Paul Hopper from the exercise of such discretion, confirming :
  - (i) the validity and enforceability of the Definitive Licence Agreement in accordance with its terms;
  - (ii) that the Amended and Restated License Agreement between the University, VioQuest ("together the Head Licensors") and Cahaba with an effective date of February 1, 2013 ("University-VioQuest Licence") and the Amended and Restated Exclusive License Agreement between VioQuest and Cahaba with an effective date of February 1, 2013 as amended on 11 and 13 October 2014 ("VioQuest-Cahaba Licence") are on foot and have not been and, to the best of their knowledge, information and belief will not be, terminated, assigned breached or amended prior to the lawful final termination of the Definitive Licence Agreement;
  - (iii) that the Licence will survive the termination of either or both of the University-VioQuest Licence and the VioQuest-Cahaba Licence; and
  - (iv) such further matters as Virax requires, in its sole discretion, excluding Paul Hopper from the exercise of such discretion;
- Virax shareholder and other regulatory approval and all necessary third parties approvals, consents or waivers are obtained; and

- AKTivate acquires the Licence as licensee.
- 1.11 As noted in Paragraph 1.4 above, subject to the settlement of the Acquisition, an additional 100,000,000 Virax Milestone Shares (on a pre consolidated basis) are proposed to be issued to the shareholders, other than Cahaba, Sebti and Howlett Retirement Pty Ltd if Virax is satisfied that any one or more of the following milestones set out below are satisfied within their respective time limits:
- (a) Milestone 1 – TCN-P successfully causing an Overall Response Rate for ovarian cancer treatment of 30% or greater for AKTivate’s ovarian cancer trial of at least 30 patients and with an Acceptable Safety Profile within two years after Settlement;
  - (b) Milestone 2 – TCN-P successfully causing a Pathologic Complete Response Rate for breast cancer treatment of 50% or greater for AKTivate’s breast cancer trial of at least 30 patients and with an Acceptable Safety Profile within two years after Settlement; and
  - (c) Milestone 3 – TCN-P successfully causing an Overall Response Rate for Leukaemia of 40% for AKTivate’s Leukaemia trial of at least 30 patients and with an Acceptable Safety Profile within two years after Settlement.
- 1.12 There can never be more than 100,000,000 Virax Milestone Shares in total even if more than one of the Milestones is satisfied within their respective deadlines as noted above and in clause 2 of the SSPA and if none of the Milestones are satisfied within their respective deadlines, then the Virax Milestone Shares will not be issued and the Virax Consideration Shares would comprise the sole consideration for the AKTivate Shares.
- 1.13 It is also proposed that subject to the Acquisition being settled, if AKTivate has not paid an Upfront Fee of US\$300,000 to Cahaba in terms of the Definitive Licence Agreement, Virax will pay the US\$300,000 to Cahaba immediately after settlement of the Acquisition. AKTivate would then not be obliged to pay the US\$300,000 Upfront Fee pursuant to the Definitive Licence Agreement.
- 1.14 There are 11 resolutions being put to the shareholders. Resolution 1 relates to the adoption of the Remuneration Report, Resolution 2 relates to the re-election of Brendan de Kauwe as a director of the Company, Resolution 3 relates to the election of Robert Crombie as a director of the Company, Resolution 4 relates to the election of Paul Hopper as a director of the Company, Resolution 5 relates to the change of name of the Company to Prescient Therapeutics Limited, Resolution 6 relates to the issue of 40,000,000 options to Robert Crombie, Resolution 7 relates to approval for the issue of equity securities totalling up to 10% of the issued capital of the Company, Resolution 8(a) refers to the approval for the Company to acquire all the shares in AKTivate held by the Hopper Parties, Resolution 8(b) relates to the issue of up to 191,666,667 Consideration Shares to the Hopper Parties as part of the Acquisition, Resolution 8(c) relates to approval for an increase in the Hopper Parties’ and associates voting power increasing from 3.87% up to a maximum of 25.04%, Resolution 9 relates to the issue of up to 42,333,333 Consideration Shares to AKTivate shareholders that are not related to the Company, Resolution 10 relates to the consolidation of capital on a 1 for 20 basis and Resolution 11 relates to a spill resolution.

We are not reporting on the merits or otherwise of Resolutions 1 to 7 and 9 to 11 but note that for us to report on the proposal as noted in Resolution 8 we in effect are required to opine on the fairness and reasonableness of the proposal to acquire AKTivate.



1.15 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business of Virax and AKTivate
- Future direction of Virax
- Basis of valuation of Virax shares
- Value of consideration
- Basis of valuation of AKTivate
- Premium for control
- Fairness of the Acquisition
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Shareholder decision
- Sources of information
- Appendix A and our Financial Services Guide

1.16 In determining the fairness and reasonableness of the acquisition of the issued capital in AKTivate held by the Hopper Parties (as part of the Acquisition of AKTivate) and assuming the issue of the Deferred Pathway Acquisition Shares, the subject of Resolution 8, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed acquisition of AKTivate is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.

1.17 **In our opinion, the proposals as outlined in Paragraph 1.1 and Resolution 8 (and assuming the issue of the Deferred Pathway Acquisition Shares) may, on balance, taking into account the factors referred to in Paragraphs 11 and 12 below and elsewhere in this report, be considered to be not fair but reasonable to the shareholders of Virax (not associated with Hopper Parties) as at the date of this report.**

1.18 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

## 2. **Implications of the Proposals**

2.1 As at 17 October 2014, there were 920,947,371 ordinary fully paid shares on issue in Virax (on a pre consolidated basis).



The top 20 shareholders list as at 2 October 2014 discloses the following:

Shareholder	No. of fully paid shares (pre consolidated)	% of issued fully paid shares
Mrs Jaclyn Stojanovski & Mrs Ghris Retzos & Mrs Susie Retzos (Retzos Executive S/F A/C)	30,000,000	3.26
Zero Nominees Pty Ltd	27,000,000	2.93
Weighton Pty Ltd <The Millen Family A/C>	25,000,000	2.71
Onetangi Nominees Pty Ltd <Onetangi Super Fund A/C>	20,000,000	2.17
Mr Nicholas David Young & Mr Andrew Steven Young <Young A/C>	19,103,334	2.07
	<u>121,103,334</u>	<u>13.14</u>

- 2.2 The top 20 shareholders as per the top 20 shareholders list at 2 October 2014 owned approximately 32.25% (out of 920,947,371 pre consolidated shares) of the ordinary issued capital of the Company.
- 2.3 At 17 October 2014 there are 87,700,000 unlisted options on issue (on a pre consolidation basis), being unlisted options exercisable at 0.5 cents per share and which expire on 12 October 2017.
- 2.4 The movement in the issued capital of the Company may be:

	Number (on a pre consolidation basis)	Hopper Parties (on a pre consolidation basis)	Hopper Parties Percentage Holdings in Virax Shares
<b>Ordinary shares on issue as at 2 October 2014</b>	<b>920,947,371</b>	<b>35,640,000</b>	<b>3.87</b>
Virax Consideration Shares	134,000,000	91,666,667	
<b>Ordinary shares on issue post Acquisition</b>	<b>1,054,947,371</b>	<b>127,306,667</b>	<b>12.07</b>
<b>Potential issue of further shares</b>			
Virax Milestone Shares	100,000,000	100,000,000	
<b>Potential ordinary shares on issue after Virax Milestone Shares are issued</b>	<b>1,154,947,371</b>	<b>227,306,667</b>	<b>19.68</b>
<b>Potential issue of further shares</b>			
Deferred Pathway Acquisition Shares	180,000,000	106,920,000	
<b>Potential ordinary shares on issue after Deferred Pathway Acquisition shares are issued</b>	<b>1,334,947,371</b>	<b>334,226,667</b>	<b>25.04</b>
Options at 0.5 cents each (on or before 12 October 2017)	87,700,000	-	
Options proposed to be issued pursuant to Resolution 6	40,000,000	-	
<b>Total Potential shares and Options on issue</b>	<b>1,462,647,371</b>	<b>334,267,667</b>	<b>25.04</b>

The Virax Milestone Shares will only be issued after the satisfaction of one or more of the relevant milestones as set out in Paragraph 1.11 above. Each milestone is independent of each other milestone. The exercise of the existing options at 0.5 cents (on a pre consolidation basis) is only expected to take place if the investors believe that the Company will be able to successfully exploit its biotechnological assets and consequently if the share price of a Virax shares is in excess of the exercise price for some period of time. On exercise of the 87,700,000 pre consolidated 0.5 cents options, \$438,500 would be raised. The exercise of the options proposed to be issued pursuant to Resolution 6 is the price equal to the closing price of a Virax share on the date that shareholder approval for the issue of the options is obtained. The last trading price of a Virax share at 17 October 2014 was 0.7 cents per share. Based on this share price, the exercise of the proposed 40,000,000 options would result in \$280,000 being raised.

- 2.5 The current Board of Directors is not expected to change in the near future as a result of the Acquisition. The Board is currently Dr. W Millen, Dr R. Crombie, Mr P Hopper, Dr R Toder and Dr B de Kauwe. The Company Secretary is Mr. Sean Henbury.
- 2.6 AKTivate will become a legally wholly owned subsidiary of Virax and will be funded from the cash resources of Virax.
- 2.7 In the event that the Virax Consideration Shares are issued to the AKTivate shareholders, the Hopper Parties would own approximately 12.07% of the shares on issue. In the event that any one of the vesting conditions are met in relation to the Virax Milestone Shares and the 100,000,000 Virax Milestone Shares are issued, the collective percentage interest of the Hopper Parties, and in the absence of any other share issues, would be approximately 19.68%.
- 2.8 In the event the Deferred Pathway Acquisition Shares are also issued, the Hopper Parties would own approximately 25.04% of the expanded shares on issue.

### **3. Corporate History and Nature of Businesses**

#### **Virax**

#### **3.1 Principal Activities and Significant Assets**

Virax is an ASX listed biotechnology company.

The following information is an edited and summarised extract from the 2014 Annual Report of Virax.

#### *Beginning of Extract*

Virax holds all the issued capital in Virax Immunotherapeutics Pty Ltd ( ACN 006 715 171) and Pathway Oncology Pty Ltd (ACN167 335 748). Virax is the holding company of the group and raises funds that are used in the group and also employs all staff and contractors and undertakes administrative activities for the other companies in the group.

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.

The principal activities during the year of the entities within the group 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.

Significant events that occurred during the year ended 30 June 2014 included:

- 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;
- 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, inter alia, the following:
  - (a) The Company consolidated its existing securities on a one (1) for ten (10) basis, rounded to the nearest whole number. 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 issued at a price of \$0.00001 each raising \$250 (on a post-Consolidation basis);
    - (ii) 500,000,000 Shares at an issue price of \$0.005 each raising \$2,500,000 (on a post-Consolidation basis); 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).

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.

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

On 17 March 2014 Virax announced that it had entered into a binding agreement to acquire Pathway Oncology Pty Ltd 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 Payments*., including an allowance for the shares to be issued subject to the satisfaction of milestones 1 and 2.

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.

*End of Edited Extract*

The main book asset of the Virax Group as at 30 June 2014 was cash funds of \$3,808,562 and intangible assets of \$1,344,383. All research costs are expensed as incurred.

### **AKTivate**

- 3.2 AKTivate was incorporated on 12 March 2014 as an Australian Proprietary Company in Queensland. The Company has one director, Alexandra Jane Hopper. As at 17 October 2014 AKTivate has on issue 3,510 shares with a paid up capital of \$3. We have been advised that AKTivate has no assets or liabilities and it has not traded. AKTivate was formed to acquire the technology, the subject of the Definitive License Agreement with Cahaba.

AKTivate has entered into a Binding Heads of Agreement to acquire a Licence to commercialise the intellectual property referred to in that heads of agreement, including intellectual property relating to, without limitation, the Triciribine Phosphate Monohydrate

(TCN-P) technology and compounds and other technologies which may be licensed to AKTivate by Cahaba.

A Definitive License Agreement has been entered into between AKTivate and Cahaba to replace the Binding Heads of Agreement, setting out inter alia, the Intellectual Property Rights, Licences Technology and compounds, scope of License, License Agreement Term and Fees, Milestones and Royalties. In terms of the Definitive Licence Agreement, the Licence Fees/Milestones and Royalties are as follows:

<b>Fees/Milestones/ Royalties</b>	<b>To Cahaba</b>
Equity Issuance to Cahaba	360 fully paid ordinary shares in AKTivate (as at 17 October 2014 these shares have now been issued)
Upfront fee	A one time upfront payment of US\$300,000 in the event that Virax completes the acquisition of all shares in AKTivate.
1. Success based milestone: achievement of any one of the following clinical success based milestones: <ul style="list-style-type: none"> <li>• Ovarian Trial - the Overall Response Rate (RR) is 30% or greater and with an acceptable side effect profile - or as otherwise agreed by the parties</li> <li>• Breast Trial - an increase in pCR that is 50% or greater and with an acceptable side effect profile – or as otherwise agreed by the parties</li> <li>• Leukemia – the Overall Response Rate (RR) is 40% or greater and with an acceptable side effect profile or as otherwise agreed by the parties</li> </ul>	US\$350,000
Upon FDA Acceptance of 1st TCN-P FDA Phase III Trial conducted by AKTivate	US\$500,000
1st dosing of 1st patient in 1st FDA Phase III Trial conducted by AKTivate	US\$2,000,000
1st dosing of last patient in 1st FDA Phase III Trial conducted by AKTivate	US\$2,000,000
1st dosing of 1st patient in 2nd FDA Phase III Trial conducted by AKTivate	US\$2,000,000
1st dosing of last patient in 2nd FDA Phase III Trial conducted by AKTivate	US\$2,000,000
First New Drug Application (NDA) for a Licensed Product submitted by AKTivate to the FDA	US\$1,000,000
Approval by the FDA of the first NDA for a Licensed Product submitted by AKTivate	US\$9,000,000
Royalty on net sales <US\$100M per annum where AKTivate markets a Licensed Product without sublicensing	13% of Net Sales of that Licensed Product by AKTivate or its Affiliates
Royalty on net sales US\$100-US500M per annum where AKTivate markets a Licensed Product without sublicensing	14% of Net Sales of that Licensed Product by AKTivate or its Affiliates
Royalty on net sales >\$500M per annum where AKTivate markets a Licensed	15% of Net Sales of that Licensed Product by AKTivate or its Affiliates

Product without sublicensing	
Royalty on net sales or sublicensing revenue where AKTivate has granted a sublicense of the Licensed IP	Either 25% of Sublicensing Revenue received (excluding any Upfront Payment) for the sublicense of the Licensed IP, or 3.5% of all net sales of Licensed Products by the sublicensee, whichever is higher
Percentage of Upfront Payment received by AKTivate from a Sublicense of the Licensed IP or on assignment of this agreement by AKTivate, prior to achieving Milestone 1.*	20% of Upfront Payment
Percentage of Upfront Payment received by AKTivate from a Sublicense of the Licensed IP or on assignment of this agreement by AKTivate, after achieving Milestone 1 but prior to achieving Milestone 3.*	15% of Upfront Payment
Percentage of Upfront Payment received by AKTivate from a Sublicense of the Licensed IP or on assignment of this agreement by AKTivate, after achieving Milestone 3.*	10% of Upfront Payment

\*No royalties based on Upfront Payments will be payable after the fifth anniversary of the Effective Date (being when the Company's Shareholders approve the acquisition of AKTivate).

For the purpose of calculating royalty payments, a year will be the period from 1 July to 30 June.

#### 4. **Future Directions of Virax**

4.1 We have been advised by the directors and management of Virax that:

- There are no proposals currently contemplated either whereby Virax will acquire any further assets from AKTivate's shareholders (including the Hopper Parties) (however Virax will issue ordinary shares to the AKTivate shareholders as outlined above in relation to the Acquisition) or where Virax will transfer any of its property or assets to AKTivate's shareholders;
- The composition of the Board will not change in the short term as noted above;
- Additional funds may need to be raised in 2014/2015 and in future years;
- No dividend policy has been set; and
- The Company will endeavour to enhance the value of its interests in its existing biotech assets and will also concentrate on its investment in AKTivate, once acquired.

#### 5. **Basis of Valuation of Virax Shares**

##### 5.1 Shares

5.1.1 In considering the proposal to acquire all of the shares in AKTivate, we have sought to determine if the consideration payable by Virax to the AKTivate shareholders (including the Hopper Parties) is fair and reasonable to the existing non-associated shareholders of Virax.



5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the ordinary shares in AKTivate being acquired by Virax is greater than the implicit value of the Consideration Shares (ordinary shares) in Virax being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Virax shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Virax ordinary share (and also an AKTivate share) are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid – the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Virax shares (and AKTivate shares).

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Virax's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. Virax made a loss of approximately \$1,297,000 for the year ended 30 June 2014 and as at 30 June 2014 has audited accumulated losses of approximately \$37,513,000.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Virax could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Virax have formed the view that there are unlikely to be any takeover bids made for Virax in the immediate future. However, if the agreement to acquire AKTivate is completed, the Hopper Parties will cumulatively initially control approximately 12.07% of the expanded ordinary issued capital of Virax. Also refer Paragraph 2.4 above.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an audited balance sheet (statement of financial position) of Virax (Balance Sheet "A") as at 30 June 2014, adjusted for

- the incurring of estimated administration, corporate costs and due diligence and other costs of say \$746,000, research and development costs of \$63,000 and interest revenue of \$55,000.

In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- The acquisition of 100% of the shares in AKTivate by way of an issue of 134,000,000 ordinary Consideration Shares at a deemed issue price of 0.5 cents per share (for accounting purposes) for a total deemed consideration of \$670,000 to the shareholders of AKTivate;
- The issue of 100 million Virax Milestone Shares at a deemed fair value of nil for accounting purposes;
- The payment of US\$300,000 (AU\$341,000 at an estimated exchange rate of AU\$1=US\$0.88) to Cahaba being the first upfront payment due and payable in terms of the SSPA on the acquisition of AKTivate by Virax; and
- Allowing for indirect costs of the Acquisition and Notice preparation of approximately \$40,000;

In addition, we disclose the unaudited consolidated statement of financial position of AKTivate as at 30 June 2014 after adjusting for estimated further liabilities of \$10,000.

	Audited Adjusted 30 June 2014 Virax	Unaudited Pro-forma 30 June 2014 Virax (including consolidation of AKTivate)	Unaudited Adjusted AKTivate 30 June 2014
	\$000 “A”	\$000 “B”	\$000
<b>Current Assets</b>			
Cash assets	3,055	2,674	-
Trade and other receivables	127	127	-
<b>Total Current Assets</b>	<b>3,182</b>	<b>2,801</b>	<b>-</b>
<b>Non Current Assets</b>			
Plant and equipment	-	-	-
Intangibles (refer below)	1,344	2,365	-
<b>Total Non Current Assets</b>	<b>1,344</b>	<b>2,365</b>	<b>-</b>
<b>Total Assets</b>	<b>4,526</b>	<b>5,166</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and other payables	253	263	10
<b>Total Current Liabilities</b>	<b>253</b>	<b>263</b>	<b>10</b>
<b>Total Liabilities</b>	<b>253</b>	<b>263</b>	<b>10</b>
<b>Net Assets/(Liabilities)</b>	<b>4,273</b>	<b>4,903</b>	<b>(10)</b>
<b>Equity</b>			
Issued Capital	42,497	43,167	-
Reserves	43	43	-
Accumulated Losses	(38,267)	(38,307)	(10)
<b>Total Equity</b>	<b>4,273</b>	<b>4,903</b>	<b>(10)</b>

Number of shares on issue 920,947,371 1,154,947,371

The net asset (book value) backing per fully paid (pre acquisition of AKTivate) ordinary Virax share as at 30 June 2014 based on the adjusted balance sheet (Balance Sheet “A”) and 920,947,371 ordinary shares on issue is approximately 0.46 cents.

Based on the unaudited pro-forma consolidated net asset book values, this equates to a value per fully paid ordinary share post the Acquisition of approximately 0.42 cents per share (based on 1,154,947,371 shares on issue) (ignoring the value, if any, of non-booked tax benefits). Ignoring intangibles, the net book asset backing per share approximates 0.22 cents.

- 5.4.2 We have accepted the Virax amounts as disclosed for all current assets and non-current assets, except for the carrying value of the Company’s interest in the Biotechnology Assets or the intangible assets. We have been advised by the management of Virax that they believe the carrying value of all current assets, fixed assets and liabilities at 30 June 2014 (as adjusted as noted above) are fair and not materially misstated.



5.4.3 However, it is noted that that the “market” over the past year or so has consistently valued the Company at a price (based on market capitalisation) greater than the net book assets of Virax. It would appear that the investors (minority investors) are ascribing a value to the biotechnology of an amount in excess of the carrying book value of \$1,344,000 (after allowing for cash funds and other tangible assets of the Virax Group) as the market capitalisation has been in excess of the book values of the net assets of the Virax Group. However, we have not applied this “potential” value in ascribing an estimated revised value to the intangible assets and consequently to the estimated value of a Virax share based on net asset values. Losses to date have been substantial and there is no certainty that the current biotechnology projects of the Virax Group will lead to commercialisation. We therefore cannot value the Biotechnology assets.

5.4.4 Based on the assumptions/values provided to us of the other assets and liabilities of Virax as at 30 June 2014 as per Balance Sheet A above, the net book fair value of the Virax Group is as follows:

	Paragraph	Preferred \$000's
Biotechnology Assets	5.4.3	- (unable to value)
Plant and equipment		-
Current assets		3,182
Total liabilities		<u>(253)</u>
Total Net Assets at fair values		<u>2,929</u>
Number of shares on issue		920,947,371
<b>Net asset per share at fair value (cents)</b>		<b>0.32</b>

5.4.5 Based on the preferred values, the adjusted net book values at 30 June 2014 equates to a value per share (920,947,371) of approximately 0.32 cents (ignoring the value, if any, of non-booked tax benefits and any potential value to the research undertaken on various biotechnology projects being undertaken by the Virax Group). See comments below on ASX share prices.

5.4.6 We note that the market has been informed of all of the current projects of Virax. We also note it is not the present intention of the Directors of Virax to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Virax based on the market perceptions of what the market considers a Virax share to be worth.

5.4.7 The market has either generally valued the vast majority of biotechnology companies at significant discounts or premiums to book values (rarely are appraised technical values available on early biotechnology companies) and this has been the case for a number of years although we also note that there is an orderly market for Virax shares and the market is kept fully informed of the activities of the Company. However, it is noted that from Virax's point of view as the legal parent company, the value ascribed to the 134,000,000 Consideration Shares to be issued to the AKTivate shareholders (including the Hopper Parties) would be accounted for at the market value of a Virax share at date of issue.

## 5.5 Market Price of Virax Fully Paid Ordinary Shares

### 5.5.1 Share prices in Virax as recorded on the ASX since 1 January 2014 up to and including 16 October 2014 (last sale before the announcement of the proposed Acquisition on 17 October 2014 was on 13 October 2014) have been as follows:

2014	High Cents	Low Cents	Closing Price Cents	Volume 000's
January	1.5	1.1	1.3	16,203
February	2.0	1.2	1.4	104,519
March	1.7	1.1	1.2	85,832
April	1.2	0.8	0.1	26,292
May	1.1	0.7	0.8	141,728
June	0.8	0.6	0.6	108,271
July	0.9	0.6	0.7	105,959
August	0.7	0.6	0.6	57,260
September	0.6	0.5	0.7	41,438
October (16 <sup>th</sup> )	0.5	0.5	0.5	26,072
October (17 <sup>th</sup> )	0.7	0.6	0.7	12,204

As can be seen from the trading volume on ASX, there has been a relatively high level of trading since May 2014, although the level of trading has reduced in the last couple of months prior to the announcement of the Acquisition. The AKTivate acquisition was announced to the market on 17 October 2014. There were only a few days where there were no trades of Virax shares on ASX during the six months to 16 October 2014 the last day before the Acquisition was announced. The day after the announcement of the proposed Acquisition, the shares closed at 0.7 cents.

### 5.5.2 The reinstatement to trading of the Company's shares on the ASX was only granted on 19 November 2013. As can be seen above, the volume and price at which shares traded varied considerably in the earlier months of the year. The acquisition of Pathway 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 at 1 cent per share. Following the completion of the acquisition of Pathway and the placement of \$3,000,000, trading volumes increased significantly but the share price drifted downwards and has been largely trading in the 0.5 cents to 0.7 cents range in the last 3 months. The volume of share trades in Virax shares from 1 January 2014 to 16 October 2014 (the day immediately prior to the announcement of the AKTivate Acquisition) was 713,574,766 shares or approximately 77.48% of the 920,947,371 shares currently on issue. As the market is kept fully informed of the activities of the Company and there has been moderate trading in the Company's shares, it could be argued that the fair value of a Virax share lies in the range of 0.5 cents to 0.7 cents per share on a minority basis.

### 5.5.3 The announcement of the Acquisition on the ASX was made on 17 October 2014 and therefore as at the date of this report, there has been no trading subsequent to the announcement of the Acquisition.

## 6. Preferred valuation method of valuing a Virax Share

### 6.1 In assessing the fair value of Virax and a Virax ordinary share pre the Acquisition of AKTivate we have considered both the net assets on a going concern methodology and the market value as the preferred methodologies as:

- Virax does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 June 2013 and 2014. Therefore the capitalisation of future maintainable earnings and discounted future cash flows are not appropriate; and
- The shares of Virax are listed, as there has been significant trading volumes on ASX (and some months with high trading). Volume has decreased slightly in the last 2 months before the announcement of the Acquisition. It may be arguable that it is inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. However as trading volumes have been moderately high we have considered share prices in assessing the fairness reasonableness of the proposals with the Hopper Parties.

6.2 As stated at Paragraph 5.4.5 we have assessed the value of a Virax share prior to the proposed Acquisition of AKTivate on a net asset basis (excluding capitalised intangibles) on a going concern basis as follows:

#### **Preferred**

<b>Net asset per share (cents)</b>	<b><u>0.32</u></b>
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Including the capitalised intangibles, the book net asset value per share is approximately 0.46 cents. We note that, the book net asset value may not necessarily reflect fair values in the current economic circumstances of the Company.

- 6.3 The market is ascribing some value to the biotechnology interests of the Virax Group as the range of market capitalisations in the six months to 16 October 2014 is well in excess of net asset backings during that period. As stated in Paragraph 5.5.2 it could be argued that on a market basis the fair value of a Virax share on a minority basis varies between 0.5 cents and 0.7 cents (on a pre consolidation basis). Assuming a premium for control of say 20% (refer Paragraph 9 below for further details), the market value of a Virax share on a control basis could vary from 0.6 cents to 0.84 cents per share on a control basis (on a pre consolidation basis).
- 6.4 As noted above the estimated net asset value share approximates 0.32 cents (0.46 cents including capitalised intangibles) which is less than the last ASX share price of 0.5 cents before the announcement of the proposed Acquisition (10,091,000 shares traded on 13 October 2014 the last trading date before of the announcement of the Acquisition on 17 October 2014).
- 6.5 For purposes of our report we have assessed the fair value on a control basis of a Virax share to range from 0.32 cents to 0.84 cents per share on a control basis.

	Low	Mid point	High
<b>Based on net asset per share at fair value (cents)</b>	<b>0.32</b>		
<b>Mid point</b>		<b>0.58</b>	
<b>Based on market values</b>			<b>0.84</b>

6.6 The future value of a Virax share will depend upon, inter alia:

- \* the future success of the existing biotechnology projects of the Virax Group and the business (the development of new cancer treatments) of AKTivate being obtained via the Acquisition;

- \* the state of Australian and overseas stock markets;
- \* the strength and performance of the Board and management and/or who makes up the Board and management;
- \* Foreign exchange rates;
- \* general economic conditions;
- \* the liquidity of shares in Virax; and
- \* possible ventures and acquisitions entered into by Virax.

## 7. Value of Consideration

- 7.1 Based on the pre-announcement assessed fair (book) value of an ordinary share in Virax (not ASX share prices), the booked cost of the Consideration Shares would be:

	Low	Mid point	High
Assumed fair values per share (cents) (Paragraph 6.5)	<b>0.32</b>	<b>0.58</b>	<b>0.84</b>
134,000,000 Virax Consideration Shares (\$)	<b>428,800</b>	<b>777,200</b>	<b>1,125,600</b>
100,000,000 Virax Milestone Shares (\$)	<b>nil</b>	<b>nil</b>	<b>nil</b>
Total (\$)	<b>428,800</b>	<b>777,200</b>	<b>1,125,600</b>

- 7.2 It is noted that at the time of negotiation of the Acquisition, the Virax directors considered that the fair market value of a Virax ordinary share may have been around the 0.5 cents and thus the Consideration for the 134,000,000 Virax Consideration Shares would approximate \$670,000.
- 7.3 For purposes of the calculation of the value of the Consideration we have not attributed any value to the 100,000,000 Virax Milestone that may be issued if certain performance milestones are met. We are unable to determine with any degree of accuracy the likelihood or probability of the performance milestone as set out in Paragraph 1.11 above will be met.

## Basis of Valuation of AKTivate

- 8.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.
- 8.2 AKTivate is an unlisted private company and therefore valuing the shares on a takeover basis and on a market based approach are not relevant. There are no indications that other parties wished to acquire all of the shares in AKTivate other than Virax. The shareholders in AKTivate do not have an active market to trade their shares.
- 8.3 The adjusted balance sheet of AKTivate at 30 June 2014 is disclosed under Paragraph 5.4.1 above. This balance sheet shows AKTivate has no liabilities or assets and has not yet traded. AKTivate was formed to enter into the Definitive Licence Agreement with Cahaba. If the Acquisition is completed various fees and royalties will become payable as set out in Paragraph 3.2 above.
- 8.4 We advise that we have not undertaken any further steps to ascertain ownership of AKTivate and its assets and liabilities.

- 8.5 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the shares in AKTivate, we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practice. These are discussed below.

8.6 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings;
- Analysis of a company's recent share trading history; and
- Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry-specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence on market value of a company, since they may not account for company-specific factors.

8.7 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

8.8 Asset-based methods

Asset-based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset-based methods include:

- Orderly realisation of assets method;
- Liquidation of assets method; and
- Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter timeframe. Since winding up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis, estimates the market values of the net assets of the company but does not take account of realisation costs.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset-based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

#### 8.9 Selection of Valuation Methodologies

All of the valuation methodologies considered above have significant limitations or are not applicable to AKTivate.

Capitalisation of maintainable earnings is not appropriate because AKTivate has not traded. Recent share trading is not applicable as it is an unlisted public company. The discounted cash flow method has not been applied because no reliable prospective financial information is available (refer below). An asset-based method is limited by the fact that the AKTivate's primary asset is a Definitive Licence Agreement with Cahaba to acquire a licence or interest in biotechnology relating to cancer treatment that has yet to be fully commercially exploited and several years of continuing research and testing may be required. The book values of AKTivate assets and liabilities as at 30 June 2014, as adjusted is noted in Paragraph 5.4.1 at a negative amount of \$10,000.

#### 8.10 We have considered the valuation of AKTivate in assessing whether or not the proposal outlined in Resolution 8 is fair and reasonable for Virax's non-associated shareholders. In forming our opinion on the value of AKTivate we have, inter-alia:

- Considered the stage of development of AKTivate and the prospective financial information available;
- Considered the appropriateness of the valuation methodologies available; and
- Considered the ability of AKTivate to continue as a going concern without funding.

#### 8.11 Valuation of AKTivate

As discussed, the capitalisation of maintainable earnings, discounted cash flow and asset-based methodologies have limitations in their application to AKTivate. It is noted that there are no internal valuations prepared and no formal adoption of cash flow and profit and loss forecasts (other than preliminary cash outflow budgets for 2014/15 and 2014/16 which form part of the Virax cashflow projections).

#### 8.12 Summary of valuation methodology and conclusion

We are unable to conclude upon a meaningful valuation range for AKTivate due to the lack of readily available and reliable financial projections and information.

AKTivate has not prepared a separate cashflow or cash flow projections. AKTivate's costs are included as part of the Virax cashflow projections which go out to 31 August 2016. The preliminary cash flow projections do not include any revenue, other than interest income. It is estimated that cash outlays for the period from 1 September 2014 to 31 August 2016 are approximately \$8,580,000. It would also be expected that research and developments costs post 2016 will be substantial and potentially in the many millions of dollars.

If the acquisition of AKTivate by Virax is achieved, Virax will need to meet the liabilities of AKTivate which may include the payments to Cahaba if the events described in Paragraph 3.2 above occur.



**9. Premium for Control**

- 9.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 9.2 Under the Corporations Act 2001, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, the Hopper Parties combined voting shareholding in Virax could increase from approximately 3.87% as at 17 October 2014 to approximately 19.68% after the issue of the Consideration Shares and to up to approximately 25.04% if the Deferred Pathway Consideration Shares are also issued. The Hopper Parties could obtain a shareholding interest in Virax of greater than 20% and thus we are required to consider Premium for Control.
- 9.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. We are of the opinion that 20% premium for control is appropriate.
- 9.4 Our preferred methodology is to value Virax and a Virax share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under Paragraph 5.4.5 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transactions (Acquisition) control basis.
- 9.5 As noted in Paragraph 8.12 we are unable to conclude upon a meaningful valuation range for AKTivate due to the lack of readily available and reliable financial projections and information. However the net tangible liabilities of AKTivate are estimated at \$10,000 (we cannot value the intangible asset being the Definitive Licence Agreement entered into with Cahaba) as at the date of Acquisition and on this basis a premium for control is not being paid.
- 9.6 We note that AKTivate does not have Board control of Virax before the proposed Acquisition pursuant to Resolutions 8 and 9. Post the Acquisition, AKTivate will not be entitled to appoint any persons to the Board of Virax. It is noted that one of the current directors of Virax, Paul Hopper is a shareholder of AKTivate.

**10. Fairness of the Proposals with the AKTivate Shareholders (including the Hopper Parties)**

- 10.1 In arriving at our conclusion on fairness, we considered whether the transaction is “fair” by comparing:
- (a) the fair market value of a Virax share pre-transaction on a control basis; versus
  - (b) the fair market value of a Virax share post-transaction on a minority basis, taking into account the associated dilution resulting from the issue of new ordinary shares under the proposed Acquisition and the exercise of the existing 0.5 of a cent per share options (on a pre consolidation basis).
- 10.2 The fair value of a Virax share **pre the Proposed Acquisition on a control basis** as noted in Paragraph 6.5 is 0.58 cents.

10.3 We set out below the estimated technical net asset value of Virax based on pro-forma Balance Sheet B as detailed in Paragraph 5.4.1 and after adjusting for the following transactions:

- The acquisition of all of the shares in AKTivate by way of an issue of a total of 134,000,000 Virax Consideration Shares (on a pre consolidated basis) at a deemed market value of 0.5 cents each. However, as noted below we cannot currently ascribe a fair value to AKTivate and have thus used the adjusted book net assets of AKTivate as at 30 June 2014. The ultimate fair value of AKTivate may materially exceed the book net asset position if commercialisation of new therapies for cancer treatment occur;
- Allowing for indirect costs of the Acquisition and Notice preparation of approximately \$40,000; and
- Assuming all the existing 87,700,000 share options are exercised as noted in Paragraph 2.3 above, the Company will raise new cash funds of \$438,500.

Net assets at fair/book values pre Acquisition and other transactions of Virax (\$)	2,929,000
Value of AKTivate (\$)	(not able to value)
Indirect costs of Meeting (\$)	(40,000)
Payment to Cahaba	(341,000)
Proceeds on exercise of existing options (\$)	438,500
<b>Total post Acquisition Value (\$)</b>	<b>2,986,500</b>
Number of ordinary shares on issue after Acquisition	1,054,947,371
Assumed conversion of the Virax Milestone Shares	100,000,000
Assumed conversion of options currently on issue	87,700,000
<b>Total potential shares on issue</b>	<b>1,242,647,371</b>
<b>Value per share on a control basis (cents)</b>	<b>0.24</b>
Minority interest discount	16.67%
<b>Value per share on a diluted and minority basis (cents)</b>	<b>0.20</b>

10.4 Based on our preferred mid point value of 0.58 cents per share (on a pre consolidation basis) as set out in Paragraph 6.5 the value per share on a minority basis can be calculated as follows:

	Preferred Basis
Fair value of Virax pre Acquisition and other transactions of Virax (\$) based on 920,947,371 shares at 0.58 cents per share (Paragraph 6.5)	5,341,495
Value of AKTivate (\$)	(not able to value)
Indirect costs of Meeting (\$)	(40,000)
Payment to Cahaba	(341,000)
Proceeds on exercise of existing options (\$)	438,500
<b>Total post Acquisition Value (\$)</b>	<b>5,398,995</b>



Number of ordinary shares on issue after Acquisition	1,054,947,371
Assumed conversion of the Virax Milestone Shares	100,000,000
Assumed conversion of options currently on issue	87,700,000
<b>Total potential shares on issue</b>	<b>1,242,647,371</b>
<b>Value per share on a control basis (cents)</b>	<b>0.43</b>
Minority interest discount	16.67%
<b>Value per share on a diluted and minority basis (cents)</b>	<b>0.36</b>

- 10.5 The value post Acquisition would be further enhanced if we could ascribe a value to AKTivate.
- 10.6 We included the existing 0.5 cent options being exercised as cash of \$438,500 would be received by Virax. It would be unlikely that these options are exercised until the share price of a Virax share trading on ASX consistently exceeds their exercise price. We also note that the proposed 40,000,000 pre consolidation options are to be issued in various tranches to Robert Crombie or his nominee (Resolution 6). These are only exercisable if the market price of the Virax shares reaches a pre determined price (varying from 1.5 cents to 6.0 cents per share over 10 trading days in 20 sequential trading days in certain time periods. These options are significantly out of the money and have been excluded from the calculation of the value per share post acquisition on a minority basis.
- 10.7 We have included the 100,000,000 Virax Milestone Shares although they are subject to various performance conditions as noted above (notwithstanding they are considered ordinary shares). No cash is received on the issue of any Virax Milestone Shares. However it is noted that if the Virax Milestone Shares vesting conditions are met it would be expected that the share price of a Virax share would be in excess of the share prices of up to 16 October 2014. If we exclude the Virax Milestone Shares the preferred value per share on a control basis pre Acquisition is approximately 0.58 cents and on a minority basis post Acquisition is approximately 0.39 cents per share.
- 10.8 In order to reflect the minority interest value we have applied a minority interest discount to the preferred value. The discount is the inverse of the premium for control of 20% discussed in Paragraph 9.3.
- 10.9 The preferred fair values of a Virax share pre the Proposed Acquisition on a control basis of 0.58 cents is more than the estimated fair value of a Virax share post the Acquisition on a minority basis of 0.36 cents (on a diluted basis that includes the exercise of the certain share options and Virax Milestone Shares as noted above). On this basis, the issue of 91,666,667 Virax Consideration Shares and 100,000,000 Virax Milestone Shares (and assuming the issue of the Deferred Pathway Acquisition Shares) to the Hopper Parties would not be fair.

However, as we cannot ascribe fair values to the biotechnology interests of both Virax and AKTivate and we cannot ascribe a fair value to AKTivate, the above exercise is somewhat academic and thus, even if we did not undertake the above calculations, in the absence of ascribing a value to AKTivate we would conclude the proposals with the Hopper Parties would not be fair.

## 11. Conclusion as to Fairness

- 11.1 The proposal pursuant to Resolution 8 is believed to be fair to Virax's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in AKTivate (100%) to be acquired.
- 11.2 Owing to the nature of the business of AKTivate, valuations depend on the value placed on the biotechnology interests of the company. The valuation of biotechnology interests and valuing future profitability and cash flows is extremely subjective because it involves assumptions regarding future events that are not capable of independent substantiation.
- 11.3 We have been unable to determine a fair value for AKTivate. In arriving at our view that we are unable to form an opinion on the value of AKTivate, we have, inter-alia, referred to the following factors:
- The relative newness of the business and nil revenues to meet all costs;
  - The ability to produce positive cash flow and profits over a period of time is uncertain;
  - AKTivate needs to obtain sufficient working capital to meet its planned objectives;
  - The lack of longer term cash flow models;
  - The risks associated with commercialisation of the development of new therapies for cancer.
- 11.4 We have concluded that we are unable to ascribe a fair value to AKTivate shares and therefore cannot form an opinion as to whether the proposal under Resolution 8 is fair. In the absence of a determination of fair value, **we conclude that the proposal pursuant to Resolution 8 (and assuming the issue of the Deferred Pathway Acquisition Shares) is not fair.**

## 12. Reasonableness of the AKTivate Acquisition

- 12.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition that we considered in arriving at our conclusion on the reasonableness of the Acquisition and in particular the proposals pursuant to Resolution 8.

### **Advantages**

- 12.2 The Company expands its biotechnology projects through Completion of the Acquisition. The current biotechnology projects of Virax although they have merit are in early stage research. AKTivate has entered into a Definitive Licence Agreement to commercialise the intellectual property referred to in that agreement, including intellectual property relating to, without limitation, the Triciribine Phosphate Monohydrate (TCN-P) technology and compounds and other technologies which may be licensed to AKTivate by Cahaba to acquire a licence to commercialise the intellectual property. This potentially could result in revenues being earned by Virax at an earlier stage than through the development and commercialisation of the technology that Virax currently owns.
- 12.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring all of the shares in AKTivate. If commercial success comes AKTivate's way, Virax may be able to raise further funds for expansion of AKTivate business and its own current biotechnology projects. Currently capital raising for small junior biotechnology companies is difficult and by diversifying into other biotechnologies (via AKTivate), increases the scope for new capital raisings.

- 12.4 There is an incentive to Virax and AKTivate to successfully exploit the biotechnologies of the expanded Virax Group as the AKTivate Shareholders will or may have a collectively significant shareholding interest in Virax. All shareholders would benefit from an increased share price which would be expected if the Licenced technology obtained via the Acquisition could be successfully commercialised.
- 12.5 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the Acquisition announcement. However, those shareholders who consider the risk of entering into new biotechnologies to be too high may wish to sell their shareholdings in Virax.
- 12.6 The net book assets of Virax (including intangibles of \$1,344,000) are estimated at \$4,273,000 whilst post the Acquisition, the net book assets of the Virax Group that will include AKTivate is estimated to be an initial \$4,903,000 (although intangibles may amount to around \$2,355,000). The value attributable to the existing shareholders immediately after the completion of the Acquisition (issue of the 134,000,000 Virax Consideration Shares) approximates \$4,280,000 (approximately \$2,224,000 if intangibles excluded) compared with a current shareholding interest of approximately \$4,273,000 (or \$2,929,000 if intangibles are excluded).

#### **Disadvantages**

- 12.7 If Resolution 8 is passed, existing shareholders other than the Hopper Parties will be diluted from owning at 17 October 2014 approximately 96.13% shareholding interest in Virax and its underlying assets to a smaller shareholding of approximately 80.32% post the Acquisition and issue of all the Consideration Shares, but before the issue of any other shares and options. Their percentage holding would further reduce if the Deferred Pathway Consideration Share are issued.
- 12.8 The development of new therapies for cancer by AKTivate may not turn out to be commercially viable and thus losses may continue to be incurred. Loans will be made by Virax to AKTivate and these plus the investment cost may need to be impaired if AKTivate does not record in the future sufficient profits and positive cash flows.
- 12.9 If the acquisition of AKTivate by Virax is achieved, Virax will need to meet the liabilities (current and future) of AKTivate that may be material in nature, including the potential liabilities as noted in Paragraph 3.2 above totalling US\$19,150,000 plus various royalties. New capital will need to be raised in 2015 and in the following years.

#### **Other Factors**

- 12.10 It is noted that for accounting purposes in the books of Virax, the 134,000,000 Virax Consideration Shares will be booked at the market value of the ordinary shares in Virax at the date the Virax Consideration Shares are issued to the AKTivate shareholders. Virax as the legal parent entity will account for the value of the ordinary Consideration Shares at the market value of the ordinary shares in Virax that may be considered to lie in the post announcement range of 0.5 cents to 0.7 cents. The ultimate fair value of an investment in AKTivate is at this stage unknown and write downs in the investment may be required at a later stage (particularly if commercial success is not forthcoming).
- 12.11 The number of fully paid ordinary shares on issue rises to 1,154,947,371 as noted in Paragraph 2.3 of this report after the issue of the Consideration Shares. This represents a substantial increase in the ordinary shares of the Company based on the number of shares

on issue at 17 October 2014 and at the time of the announcement of the Acquisition on 17 October 2014.

- 12.12 In terms of the Definitive License Agreement, AKTivate has significant potential fees and royalties payable to Cahaba on reaching various milestones as set out in Paragraph 3.2 above. In addition to the US\$300,000 immediately payable on the completion of the Acquisition, an amount of US\$350,000 is payable upon the achievement of any of certain clinical success based milestones. A further US\$18,500,000 is payable on achieving various milestones. In addition various royalties are payable based on achieving certain pre determined levels of net sales and further royalties are payable in certain circumstances where the Licence is further sublicensed. The potential milestone payments, in particular the various milestone payments totalling US\$18,500,000, if they are triggered, will require AKTivate via Virax to raise very significant amounts of new funds. It is not possible to determine at this stage whether these funds could be raised via equity or debt, at what price and how easily. Significant equity raisings would potentially significantly dilute current shareholders interest in Virax.
- 12.13 We also note that under the Pathway acquisition referred to in Paragraph 3.1 above, Virax potentially may be required to issue 90,000,000 fully paid ordinary shares within 18 months of completion of the Pathway acquisition on 30 May 2014 if a certain milestone is met. A further 90,000,000 fully paid ordinary shares may be issued within 36 months of the completion of the Pathway acquisition if a certain other milestone is met. These potential issues would further dilute the existing shareholders interests in Virax.
- 12.14 It is the view of the Board of Virax that the investment in AKTivate is in the best interests of all shareholders. In the absence of the Acquisition approval, the Acquisition will not proceed and Virax will end up with cash and with some existing biotechnology projects that are still some way from commercial success.
- 12.15 Based on the rise in the share price (and volumes of trades) of a Virax share following the announcement as compared with the sale prices in July/October 2014 before the announcement of the proposed Acquisition, the market is arguably favourable of the proposals.

### 13. Conclusion as to Reasonableness

- 13.1 **After taking into account the factors referred to in 12 above and elsewhere in this report we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Acquisition as noted in Paragraph 1.1 and Resolution 8 (and assuming the issue of the Deferred Pathway Acquisition Shares) in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Virax at the date of his report.**

### 14. Shareholder Decision

- 14.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the acquisition by the Company of the issued capital in AKTivate held by the Hopper Parties ( and assuming the issue of the Deferred Pathway Acquisition Shares) is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 8 but we have been requested to determine whether the proposals pursuant to Resolution 8 are fair and/or reasonable to those shareholders not associated with the Hopper Parties. The responsibility for such a voting recommendation lies with the directors of Virax.

- 14.2 In any event, the decision whether to accept or reject Resolution 8 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposals under Resolution 8, shareholders should consult their own professional adviser.
- 14.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Virax. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the proposals under Resolution 8. Shareholders should consult their own professional adviser in this regard.

## **15. Sources of Information**

- 15.1 In making our assessment as to whether the proposed Acquisition as noted in Paragraph 1.1 and Resolution 8 (and assuming the issue of the Deferred pathway Acquisition Shares) is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and AKTivate that is relevant to the current circumstances. In addition, we have held discussions with the management of Virax about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Virax.
- 15.2 Information we have received includes, but is not limited to:
- a) Drafts of the Notice and ES of Virax to 20 October 2014;
  - b) Discussions with management of Virax;
  - c) Details of historical market trading of Virax ordinary fully paid shares recorded by ASX for the period 1 January 2013 to 17 October 2014;
  - d) Shareholding details of Virax as supplied by the Company's share registry as at 2 October 2014;
  - e) Shareholding details of AKTivate as at 17 October 2014;
  - f) Audited balance sheet of Virax as at 30 June 2014;
  - g) Announcements made by Virax to the ASX to 20 October 2014;
  - h) The unaudited financial statements of AKTivate for the period ended 30 June 2014;
  - i) Preliminary cash flow forecasts of Virax (which include AKTivate expenditure) for period October 2014 to December 2015;
  - j) The Virax Investor Presentation dated 22 July 2014;
  - k) Cahaba Pharmaceuticals LLC. executive patent summary;
  - l) ASIC extracts relating to AKTivate;
  - m) Deed of Covenant-Share Exchange between Virax and Pathway;
  - n) The binding Heads of Agreement between AKTivate and Cahaba dated 26 July 2014;
  - o) The Intellectual Property Licence Agreement date 20 October 2014 (being the Definitive Licence Agreement); and
  - p) The Binding Share Sale Agreement executed in October 2014 for the proposed acquisition of all of the shares in AKTivate;

15.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES PTY LTD**  
(Trading as Stantons International Securities)

A handwritten signature in dark ink, appearing to read 'J P Van Dieren', followed by a long horizontal flourish.

**J P Van Dieren - FCA**  
**Director**

## **APPENDIX A**

### **AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 20 October 2014, relating to the acquisition by the Company of the issued capital in AKTivate held by the Hopper Parties as part of the acquisition of AKTivate as outlined in Section 1 of the report and Resolution 8 (and assuming the issue of the Deferred Pathway Acquisition Shares) in the Notice of Meeting to Shareholders and the Explanatory Memorandum proposed to be distributed to the Virax shareholders in October 2014.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Virax and AKTivate other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion.

The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of \$22,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in Virax and AKTivate. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

### **QUALIFICATIONS**

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.



## **DECLARATION**

This report has been prepared at the request of the Directors of Virax in order to assist them to assess the merits of the proposed acquisition of the issued capital of AKTivate held by the Hopper Parties as part of the Acquisition (and assuming the issue of the Deferred Pathway Acquisition Shares) as outlined in Resolution 8 of the Explanatory Memorandum (to shareholders) to which this report relates. This report has been prepared for the benefit of Virax's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of Virax and AKTivate and their assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Virax and AKTivate. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

## **DUE CARE AND DILEGENCE**

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 8 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 8.

## **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Virax and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd's experience and qualifications), Virax has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Virax may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Virax; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Virax or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Virax or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd

A draft of this report was presented to Virax directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.



**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD  
(Trading as Stantons International Securities)  
Dated 20 October 2014**

1. Stantons International Securities ABN 42 128 908 289 and Financial Services Licence 448697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities Pty Ltd  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

## **9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

## **10. Contact details**

You may contact us using the details set out above.

Telephone	08 9481 3188
Fax	08 9321 1204
Email	<a href="mailto:jvdieren@stantons.com.au">jvdieren@stantons.com.au</a>

