

ASX and Media Release

Quarterly Activities and Cash Flow Report

Quarter ended 31 December 2017

24 January 2018, Sydney, Australia: Viralytics Limited (ASX: VLA, OTCQX: VRACY) (**Viralytics** or the **Company**) an innovator in the field of oncolytic immunotherapy, today released its Quarterly Cash Flow report (Appendix 4c) for the quarter ended 31 December 2017 (the **Quarter**).

Key points:

- **Three ongoing Phase 1b trials testing CAVATAK® in combination with in-market checkpoint inhibitors progressing well**
- **KEYNOTE-200 trial approaching full recruitment**
- **Preliminary, but encouraging efficacy signals across multiple clinical trials using CAVATAK® in combination with in-market Checkpoint inhibitors**
- **\$29.6m placement to a leading diversified life sciences company in China, Lepu Medical Group**
- **Company is in a strong financial position and is well funded to progress the clinical programme for its CAVATAK® technology**

Managing Director Malcolm McColl said, "I'm extremely pleased with the clinical results that we are seeing across our current trials. They have been designed to ensure they provide meaningful clinical data in a relatively short time frame. We have a clear path to product registration via a planned pivotal registration trial in melanoma. In addition, there has been extensive interest in the potential of CAVATAK in other oncology indications, which is particularly exciting."

"We are also excited about the interest demonstrated by Lepu Medical through its recent investment in the Company. China is a massive oncology market with the prospect of fast clinical recruitment to trials in key cancer types."

Clinical Trials Progress

The company is actively recruiting in three important combination studies. With the support of additional funds, the company is broadening the clinical programme with trials in new oncology indications and CAVATAK combinations commencing in early 2018.

| Clinical trial | Target cancer | Combination ¹ | Delivery | Initiate |
|----------------|----------------------|--------------------------|---------------|----------|
| ITCAHN | Head & neck | KEYTRUDA® ² | Intratumoral | Q1 2018 |
| CLEVER | Uveal melanoma (eye) | YERVOY® ³ | Intravenous | Q1 2018 |
| CAPRICE | Colorectal | TBD | Intratumoural | Q2 2018 |

In addition, and as previously announced, Viralytics plans to initiate a pivotal registration clinical trial of CAVATAK in combination with a checkpoint in melanoma patients in 2018.

Clinical highlights

Positive clinical data was presented at the Annual Meeting for the Society of Immunotherapy of Cancer in the United States in November 2017 including early data on the KEYNOTE-200 trial.

| Clinical trial | Combination | Highlights |
|--------------------|-------------|--|
| KEYNOTE-200 | KEYTRUDA® | Part A (CAVATAK® alone) completed successfully; Part B underway in collaboration with Merck (trial approaching full recruitment); encouraging initial positive signals of activity |
| CAPRA | KEYTRUDA® | Well tolerated with encouraging initial efficacy data: 61% best overall response rate in a single arm study (Published KEYTRUDA® alone is 33%) ⁴ |
| MITCI | YERVOY® | Well tolerated with encouraging initial efficacy data: 57% best overall response rate in a single arm study (Published YERVOY® alone is 11%) ⁵ |

Viralytics expects to share new information on clinical trial progress in Q2 2018.

\$29.6 million equity placement to Lepu Medical Group

\$29,633,682 raised in a placement to Lepu Medical Group, a leading diversified life sciences company in China. The investment represented a 27% premium to the thirty-day volume weighted average price of Viralytics shares.

Dr. Zhongjie Pu, Chairman of Lepu Medical said, "We have carefully reviewed the global oncolytic virus landscape and believe CAVATAK is the leading agent with demonstrated potential to enhance the activity of checkpoint inhibitors such as anti-PD-1 (or PD-L1) across many important cancer types."

¹ CAVATAK® being tested in combination with in-market Checkpoint Inhibitors

² KEYTRUDA is a registered trademark of Merck (known as MSD outside USA and Canada)

³ YERVOY is a registered trademark of Bristol Myers Squibb Company

⁴ Refer ASX release on 13 November 2017 for further details

⁵ Refer ASX release on 13 November 2017 for further details



Corporate and financial

Net cash outflow of \$5.6 million for the quarter was heavily focussed on clinical trials and supporting activities. The cash balance as at 31 December 2017 was \$22.1 million. In early January the company received \$29.6 million from a share equity placement to Lepu Medical Group of China and \$6.4 million from the R&D Tax Incentive programme.

Viralytics is in a strong position to progress the clinical programme for its CAVATAK®.

Enquiries:

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About Viralytics Ltd:

Viralytics is developing oncolytic immunotherapy treatments for a range of cancers. The company's lead investigational product, CAVATAK®, is currently being studied in clinical trials for the treatment of melanoma, as well as bladder and lung cancers. CAVATAK is a proprietary formulation of the common cold Coxsackievirus Type A21 (CVA21) that preferentially binds to specific 'receptor' proteins highly expressed on multiple cancer types. CAVATAK acts to kill both local and metastatic cancer cells through cell lysis and the potential generation of an immune response against the cancer cells – a two-pronged mechanism of action known as oncolytic immunotherapy. CAVATAK also has the ability to 'heat' tumours, making them an easier target for Checkpoint Inhibitors – a class of drugs which is becoming the key oncolytic therapy. This synergistic effect is being tested in several trials in which CAVATAK is being combined with Checkpoint Inhibitors owned by major Pharma groups.

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

About Checkpoint Inhibitors:

A type of drug that blocks certain proteins made by some types of immune system cells, such as T cells, and some cancer cells. These proteins help keep immune responses in check and can keep T cells from killing cancer cells. When these proteins are blocked, the "brakes" on the immune system are released and T cells are able to kill cancer cells better. Examples of checkpoint proteins found on T cells or cancer cells include PD-1/PD-L1 and CTLA-4/B7-1/B7-2.⁶

⁶ National Cancer Institute (NCI) Dictionary of Terms

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Viralytics Limited

ABN

12 010 657 351

Quarter ended ("current quarter")

31 December 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) research and development | (4,661) | (9,613) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (601) | (1,425) |
| (f) administration and corporate costs | (382) | (856) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 108 | 232 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other – Intellectual Property | (107) | (144) |
| 1.9 Net cash from / (used in) operating activities | (5,643) | (11,806) |

| | | |
|--|------|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (73) | (80) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (73) | (80) |

| | | | |
|-----------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 27,730 | 34,274 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (5,643) | (11,806) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (73) | (80) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | (2) | (376) |
| 4.6 | Cash and cash equivalents at end of quarter | 22,012 | 22,012 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances | 954 | 2,014 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (term deposits) | 21,058 | 25,716 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 22,012 | 27,730 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

159

-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |
| | | |

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Research and development | (6,008) |
| 9.2 Product manufacturing and operating costs | - |
| 9.3 Advertising and marketing | - |
| 9.4 Leased assets | - |
| 9.5 Staff costs | (803) |
| 9.6 Administration and corporate costs | (340) |
| 9.7 Other (provide details if material) | (47) |
| 9.8 Total estimated cash outflows | (7,198) |

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|--|--------------|-----------|
| 10.1 Name of entity | - | - |
| 10.2 Place of incorporation or registration | - | - |
| 10.3 Consideration for acquisition or disposal | - | - |
| 10.4 Total net assets | - | - |
| 10.5 Nature of business | - | - |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date:24 January 2018.....

Print name:Malcolm McColl.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.