

ASX and Media Release

March 31 2010 Quarterly Cash Report and Appendix 4c

7th April 2010, Sydney: Viralytics Limited (ASX: VLA, VLAO OTC: VRACY)

Viralytics Limited ('Viralytics') is pleased to report that the Company closed the March quarter 2010 with \$3.3m cash on hand (December quarter \$852k) as well as having the ability in the next 15 months to access a further \$4.8m to \$6.2m in cash from the conversion of options and an existing convertible note facility.

This puts the Company in a secure financial position to enter its phase II clinical program for CAVATAK™.

During the quarter the Company raised a total of \$3.7m in new funds from 3 sources:

- 1) Sale of non-core asset: During February 2010 the Company sold its holding in CBio Ltd, following CBio's listing on the Australian Stock Exchange. The Company realised \$506,000 from this sale, incurring a small book loss of \$22k.
- 2) Placement of 28.6m shares at 5.3 cents raising \$1,518,000 at the end of March 2010 and
- 3) Drawing down \$1,644,000 from the established Convertible Note facility with La Jolla Cove Investors.

In addition to funds on hand at 31 March 2010, the Company has access to the following funds:

- 4) \$US3,250,000 remaining under the Convertible Note facility entered into in June 2009 with La Jolla Cove Investors. These funds are currently being drawn down at the rate of \$US250k per month. Of the \$US2.75m already drawn down \$2.554m has been converted to shares leaving \$US196 as a convertible note that may be converted into shares at any time.
- 5) \$1,146,000 resulting from a put option with HC Securities or their nominee which will allow the Company to put up to 28,650,000 ordinary shares at 4 cents per share if the Company's listed options (VLAO) are not fully exercised when they expire on 29 June 2010. As at 31 March 2010 there were 87,847,916 VLAO options outstanding at an exercise price of 3 cents. If these were all exercised at or before the expiry date of 29 June 2010, the Company would receive \$2,635,437 in new funds and the put option referred to above would not be exercisable. As at 31 March Viralytics shares were trading between 5.4 cents and 5.6 cents. If this were to continue through 29 June 2010, then the Company believes it is likely most if not all of the VLAO options would be exercised.

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Further information regarding the Company is available on our website: www.viralytics.com

About Viralytics Ltd

Viralytics is listed on the Australian Securities Exchange (ASX code: VLA). Viralytics' ADR trades under VRACY on the OTC market in the USA. Viralytics' principal asset is the intellectual property relating to CAVATAK™, an Oncolytic Virus technology. CAVATAK™ is the trade name for Viralytics' proprietary formulation of the Coxsackievirus Type A21 (CVA21). CVA21 is a virus that occurs naturally in the community. CVA21 attaches to the outside of a cell, using a specific 'receptor' on the cell's surface (like a key fitting a lock). CVA21 uses two receptors to infect cells, intercellular adhesion molecule-1 (ICAM-1) and/or decay accelerating factor (DAF). Both of these receptor proteins have been demonstrated to be highly expressed on multiple cancer types, including: melanoma, prostate cancer, breast cancer, multiple myeloma and others.

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Viralytics Limited

ABN

12 010 657 351

Quarter ended ("current quarter")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities

1.1	Receipts from customers		
1.2	Payments for		
	(a) staff costs	(193)	(574)
	(b) consultants	(5)	(15)
	(c) research and development	(675)	(1,270)
	(d) leased assets	-	-
	(e) other working capital	(240)	(700)
	(f) intellectual property/patent costs	(39)	(124)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	13
1.5	Interest and other costs of finance paid	(6)	(18)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) R&D Tax Refund	-	-
	Net operating cash flows	(1,155)	(2,688)

Current quarter \$A'000	Year to date (9 months) \$A'000
-	-
(193)	(574)
(5)	(15)
(675)	(1,270)
-	-
(240)	(700)
(39)	(124)
-	-
3	13
(6)	(18)
-	-
-	-
(1,155)	(2,688)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,155)	(2,688)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1)	(5)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	506	506
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	(12)	(12)
Net investing cash flows	493	489
1.14 Total operating and investing cash flows	(662)	(2,199)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,523	1,558
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Convertible Note Drawdown –	1,644	2,797
Other – Cost of Fund Raising (share issue and Convertible notes)	(100)	(210)
Net financing cash flows	3,067	4,145
Net increase (decrease) in cash held	2,405	1,946
1.21 Cash at beginning of quarter/year to date	852	1,311
1.22 Exchange rate adjustments	-	-
1.23 Cash at end of quarter	3,257	3,257

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	116
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities - Convertible Note (1)	\$US6m (SA6.7)	\$US2m (SA2.2)
3.2 Credit standby arrangements	-	-

- (1) In June 2009 the Company entered into a convertible note facility with La Jolla Cove Investors Inc. (LJCI) which provided for a maximum investment of USD\$6.0 million over 2 years, estimating a monthly drawdown rate of USD\$250,000 (4 \$US1.5m notes).

At the date of this report the first note was fully drawn down, the second note had been entered into and \$US1.250k had been drawn down . This leaves a remaining facility of \$US3.25m

+ See chapter 19 for defined terms.

