

VIRAX HOLDINGS LIMITED
ACN 006 569 106

Half-Year ended 31 December 2013

Announcement to the Market

Previous corresponding period: Half year ended 31 December 2012

				\$
Revenues	Down	99.99%	to	148
Profit/(Loss) after tax for the period attributable to members	Down	139.93%	to	(713,504)
Net Profit/(Loss) for the period attributable to members	Down	139.93%	to	(713,804)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Earnings per share

	Current period	Previous corresponding period
Basic EPS (Loss)	(0.29 cents)	7.56 cents
Diluted EPS (Loss)	(0.29 cents)	7.56 cents

NTA per share

	Current period	Previous corresponding period
NTA Per Share	0.30 cents	Nil cents

Virax Holdings Limited
ACN 006 569 106

Condensed Financial Report

Half-year ended 31 December 2013

VIRAX HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

The Directors submit their report for the half-year ended 31 December 2013.

Directors and Officers

The names of the Directors of the Company in office during the half-year and at the date of this report are:

Dr. W Millen	Chairman and Non-Executive Director – appointed 30 August 2013
Dr. R Toder	Director – Non-Executive Director - appointed 30 August 2013
Dr. B de Kauwe	Director – Non-Executive Director - appointed 30 August 2013
Mr. S Henbury	Company Secretary – appointed 21 October 2013
Mr. M.J. Humphris	Director – Chairman and Non-Executive Director - resigned 30 August 2013
Mr. I.F. Pyman	Director – Non-Executive Director resigned 30 August 2013
Mr. S Penney	Company Secretary – appointed 30 August 2013 – resigned 21 October 2013
Mr. J Morrison	Director and Company Secretary – resigned 30 August 2013

Registered Office

The address of the registered office in Australia is C/- FJH Solutions, 21 Teddington Road, Burswood, Western Australia, 6100. Telephone (08) 9486 2333, Facsimile (08) 9355 4580, Email virax@virax.com.au, Website virax.com.au.

Securities Record

Registers of listed securities are held at Automic Registry Services, Level 1, 7 Ventnor Avenue, West Perth, WA, 6005. Telephone (08) 9324 2009, Facsimile (08) 9321 2337. A register of unlisted options is held at the Company's registered office.

Stock Exchange Listing

Quotation has been granted for all the fully paid Ordinary shares of the Company (ASX code VHL) on the Australian Securities Exchange.

State of Affairs and Major activities of the half-year

Appointment of Voluntary Administrators and Execution of a Deed of Company Arrangements and Restructuring Deed

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.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012.

The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 28 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012, as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Following the Administrators' appointment, expressions of interest were sought from third parties for the reconstruction and recapitalisation of the Company.

VIRAX HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

State of Affairs and Major activities of the half-year (continued)

Reconstruction of the Company

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 the following:

- (a) The Company consolidated its existing securities on a one (1) for ten (10) basis, rounded to the nearest whole number (Consolidation). 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 (Shares) issued at a price of \$0.00001 each raising \$250 (on a post-Consolidation basis)(Proponent Shares);
 - (ii) 500,000,000 Shares at an issue price of \$0.005 each raising \$2,500,000 (on a post-Consolidation basis) (General Placement Shares); 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) (Proponent Options).
- (c) These securities were issued to persons nominated by Otsana to receive securities in the Company, in accordance with Resolution 2 of the Notice of Meeting dated 24 July 2013, and their associates (together, the Proponent Nominees). The proposed new directors of the Company, Dr. Brendan de Kauwe, Dr. Wayne Millen and Dr. Roland Toder (together the Proposed Directors) and their associates, participated as Proponent Nominees up to a maximum allocation as specified in the accompanying Explanatory Statement.
- (d) Of the funds raised from the issue of these securities, the Company paid \$500,000, subject to reduction of that amount to the extent of certain Virax Group liabilities which may be incurred up to Settlement of the Reconstruction Deed that will not be paid by the Trustees of the creditors' trust created in accordance with the DOCA and certain additional audit and other costs associated with the Virax Group's financial accounts and reports up until the financial year ended 30 June 2013 (Cash Consideration), to the Trustees of the Creditors' Trust.
- (e) The Proposed Directors were appointed to the board of directors of the Company immediately upon the Recapitalisation Resolutions being passed at the Meeting. Following appointment of the Proposed Directors, the Company's existing Directors resigned.

The Reconstruction Deed was subject to a number of conditions, including obtaining necessary shareholder approvals.

These shareholder approvals were provided in a general meeting on 30 August 2013.

The Prospectus was issued on 19 September 2013. 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.

At the time the Cash Consideration was paid to the Creditors' Trust (which occurred upon Settlement of the Reconstruction Deed):

- (i) the Deed Administrators assigned to the Creditors' trust the Company's loan receivable from its subsidiary Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less the Cash Consideration) as described in paragraph (d) above;
- (ii) DOCA was terminated;

VIRAX HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

State of Affairs and Major activities of the half-year (continued)

Reconstruction of the Company (continued)

- (iii) all admitted claims against the Company arising on or before 24 August 2012 (Claims) were released and compromised with those creditors' with Claims (Creditors) instead entitled to rights in respect of the Creditors' Trust; and
- (iv) the Company retained its main business undertaking.

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.

TG1042 – Skin Cancer Vaccine – Basal Cell Carcinoma

Transgene terminated the Company's licence for TG1042 in September 2012 as a result of the appointment to the Company of the Voluntary Administrators.

Co-X-Gene™ Technology and the Transgene Sub-licence

The Company's wholly owned subsidiary Virax Immunotherapeutics Pty Ltd owns a licence to the Co-X-Gene™ technology.

In March 2007, Transgene (Eurolist Paris: FR0005175080) executed a License Agreement (the "Transgene Sub-licence") with the Company for access to Co-X-Gene™ technology for use in two of Transgene's immunotherapeutic products:

- TG4001 (cancer vaccine) – Phase IIb CIN2/3/HPV trial completed and planning a Phase IIb trial in oral squamous cell carcinoma (OSCC/HPV16); and
- TG4010 (lung cancer vaccine) - Phase IIb trial completed and planning a Phase III trial. This is subject to an Option Agreement negotiated by Transgene with Novartis.

The developments in the two Transgene programs (TG4001 and TG4010) covered by the licence during the financial period were:

TG4001 The licence agreement with Roche of April 2007 was terminated by Roche on 22 February 2011 for strategic reasons, notably prior to the completion of Phase II clinical testing and the availability of any data. This trial completed in Q4 2011, with the results released in Q2 2012. Transgene acquired a new partner for this program which they announced on 13 November 2012. The program has been partnered with EORTC in which TG4001 will be administered in combination with chemo-radiotherapy in patients with HPV16 positive cancer of the oro-pharynx.

Transgene continues to list TG4001 on its pipeline chart, however they have not provided any further updates on the progress of any trials.

TG4010 In January 2014, Transgene released topline results for the Phase IIb (TIME) clinical trial for the treatment of Non-small cell lung cancer (NSCLC), using Transgene's immunotherapeutic product TG4010. Transgene is now planning to move into the Phase III part of the TIME trial.

Transgene has an exclusive option agreement with Novartis for the worldwide development and commercialisation rights for TG4010 in first line NSCLC and other cancer indications. Following release of the Phase IIb clinical trial results, Novartis has 90 days to exercise the option agreement.

If exercised, Transgene may receive up to €700 million, plus royalties. Any funds Transgene were to receive upon exercise of this option during the term of the Virax Co-X-Gene™ technology Sub-licence would result in payments under the licence.

VIRAX HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

State of Affairs and Major activities of the half-year (continued)

Co-X-Gene™ Technology and the Transgene Sub-license (continued)

Under the option agreement with Novartis, Transgene has retained the primary manufacturing rights for TG4010 to supply Novartis' clinical and commercial requirements.

Transgene's products have also gained the interest of major pharmaceutical company Sanofi. Sanofi and Transgene have recently announced that they have launched the construction phase of the manufacturing platform dedicated to the production of viral vectors, such as Transgene's TG4010 immunotherapeutic product.

As part of the Deed of Company Arrangement executed on 19 October 2012, the Creditors Trust created thereunder was assigned the Holding Company's loan receivable from Virax Immunotherapeutics Pty Ltd. Accordingly, any receipts from Transgene will be paid to the Creditors Trust, however limited to the extent of that assigned loan as adjusted under the Reconstruction Deed. The exercise by Novartis of the Partnership option with TG4010 based upon the Phase IIb data may trigger milestone payments to Virax under the sub-license.

The amount of any sub-license payments is dependent upon clinical achievements, details of the partnering transactions and the moneys received by Transgene, including the timing of such payments.

Overview of Revenues and Expenses

Revenue for the half-year ended 31 December 2013 amounted \$148 (2012: \$2,240,154). The revenue for the half-year 31 December 2012 included a Debt release gain under the Deed of Company Arrangement of \$2,240,152 - being the release of debt obligations that were transferred to the Virax Holdings Creditors Trust.

The financial implications of the completion of the recapitalization proposal and finalisation of the Deed of Company Arrangement have been reflected in the results for the period 31 December 2013.

The overall loss attributable to the Company for the half-year ended 31 December 2013 amounted \$713,504 (2012: Profit \$1,787,000).

Auditor's Independence

The Company has received the "Declaration of Independence from the Auditor" as required by Sec 307C of the Corporations Act 2001. Refer page 17.

Signed in accordance with a resolution of the Directors



Dr. W Millen
Chairman
Perth
28 February 2014

VIRAX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		Consolidated	
		31 December	30 June
	Notes	2013	2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,511,029	-
Trade and other receivables	5	115,326	-
Total current assets		<u>1,626,355</u>	<u>-</u>
TOTAL ASSETS		<u>1,626,355</u>	<u>Nil</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	35,004	-
Total current liabilities		<u>35,004</u>	<u>-</u>
TOTAL LIABILITIES		<u>35,004</u>	<u>Nil</u>
NET ASSETS		<u>1,591,351</u>	<u>Nil</u>
EQUITY			
Contributed equity	7	38,521,193	36,216,338
Accumulated losses		(36,929,842)	(36,216,338)
TOTAL EQUITY		<u>1,591,351</u>	<u>Nil</u>

VIRAX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CONDENSED INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		Consolidated	
		31 December 2013	31 December 2012
	Notes	\$	\$
Interest income		148	2
Other income	2	-	2,240,152
Expenses			
Research and development expenses		-	(2,100)
Business development		(7,743)	-
Payment to Creditors Trust		(380,182)	-
Directors' fees		(16,500)	-
Administration and corporate expenses		(309,227)	(451,054)
Profit/(loss) before income tax expense		(713,504)	1,787,000
Income tax expense		-	-
Net profit/(loss) for the period		(713,504)	1,787,000
Other comprehensive income		-	-
Total comprehensive income/(loss) attributable to members of Virax Holdings Limited		(713,504)	1,787,000
Basic earnings/(loss) per share	3	(0.0029)	\$0.0756
Diluted earnings/(loss) per share	3	(0.0029)	\$0.0756

VIRAX HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Contributed equity	Accumulated losses	Share based payments reserve	Total equity
	\$	\$	\$	\$
Changes in equity for the half year ended 31 December 2013				
At 1 July 2013	36,216,338	(36,216,338)	-	-
Total comprehensive loss				
(Loss) for the period	-	(713,504)	-	(713,504)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year	-	(713,504)	-	(713,504)
Transactions with owners in their capacity as owners				
Issue of shares and options (net of capital raising costs)	2,304,855	-	-	2,304,855
At 31 December 2013	38,521,193	(36,929,842)	-	1,591,351

	Ordinary shares	Accumulated losses	Share based payments reserve	Total equity
	\$	\$	\$	\$
Changes in equity for the half year ended 31 December 2012				
At 1 July 2012	36,216,338	(38,556,445)	553,107	(1,787,000)
Total comprehensive loss				
Profit for the period	-	1,787,000	-	1,787,000
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	-	1,787,000	-	1,787,000
Transactions with owners in their capacity as owners				
Transfers of balance on share based payments reserve to accumulated losses	-	553,107	(553,107)	-
At 31 December 2012	36,216,338	(36,216,338)	-	-

VIRAX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31 December 2013 \$	31 December 2012 \$
Cash flows from operating activities		
Payments to suppliers and employees	(793,974)	(29,182)
Interest received	148	2
	<hr/>	<hr/>
Net cash flows (used in) operating activities	(793,826)	(29,180)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	2,511,251	-
Capital raising costs	(206,396)	-
	<hr/>	<hr/>
Net cash flows from financing activities	2,304,855	-
Net increase/(decrease) in cash and cash equivalents	1,511,029	(29,180)
Cash and cash equivalents at beginning of period	-	29,180
	<hr/>	<hr/>
Cash and cash equivalents at end of period	1,511,029	-
	<hr/> <hr/>	<hr/> <hr/>

VIRAX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

The interim condensed consolidated financial statements of Virax Holdings Limited and its subsidiaries (the Group) for the six months ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 February 2014.

Virax Holdings Limited (the Company) is a limited company, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities include investigating the viability of retesting and further developing the Company's existing assets and intellectual property and the assessment of new opportunities, both within the biopharmaceutical industry or in a market segment unrelated to the biopharmaceutical industry.

Basis of preparation

The half-year Condensed Financial Report is a general purpose condensed financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The half-year Condensed Financial Report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Annual Financial Report.

The half-year Condensed Financial Report should be read in conjunction with the Annual Financial Report of Virax Holdings Limited as at 30 June 2013.

It is also recommended that the half-year Condensed Financial Report be considered together with the public announcements made by Virax Holdings Limited during, and since, the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year Condensed Financial Report has been prepared on a historical cost basis and in Australian dollars.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations effective as of 1 January 2013 detailed below:

- AASB 119 (*Revised 2011*) *Employee Benefits*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interest in Other Entities*
- AASB 13 *Fair Value Measurement*

The nature and the impact of each new standard/amendment is described below:

AASB 119 (*Revised 2011*) *Employee Benefits*

The revised standard changes the definition of short term employee benefit. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The change in distinction between short-term and other long-term employee benefits did not have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION OF THE HALF-YEAR CONDENSED FINANCIAL REPORT (CONT)

AASB 10 Consolidated Financial Statements

AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 replaces the parts of previously existing AASB 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

AASB 11 Joint Arrangements

AASB 11 replaces AASB 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

AASB 11 had no impact on the Group as the Group has no joint ventures.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASB when fair value is required or permitted. AASB 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

AASB 13 did not have a significant impact as the Group does to have significant assets or liabilities carried at fair value.

VIRAX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

2. OTHER INCOME

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.

A Deed of Company Arrangement (“DoCA”) was proposed and considered by the Company’s creditors on 28 September 2012. The DoCA provided for the creation of a creditors’ deed of trust and an opportunity for the Company to be restructured for a “cash consideration”. The DoCA was approved by Creditors on 24 September 2012. Under the DoCA the claims of the Company’s creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012 as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA is to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

As a result of the execution of the Deed of Company Arrangement on 19 October 2012:

1. All creditors of the Company as at 24 August 2012 (including the Convertible Note) are beneficiaries of the Creditors Trust to be administered by the Deed Administrators;
2. The Creditors Trust has been transferred the following assets of the Company:
 - a. The “Assigned Property” being all of the Holding Company’s right title and interest in and to the repayment by Virax Immunotherapeutics Pty Ltd of a loan of \$8,269,756, less any Net Proceeds received by the Company in connection with a Restructuring Transaction;
 - b. The “Net Proceeds” received by the Company in connection with the “Restructuring Transaction”. Under the Reconstruction Deed, the “Net Proceeds” have been defined as being \$500,000 less the following:
 - i. the liabilities of the Company and its subsidiaries incurred subsequent to 24 August 2012 and still outstanding at Settlement or the Restructure;
 - ii. The cost of preparing consolidated financial accounts and reports for the Company and its subsidiaries for the reporting periods ended 30 June 2012, 31 December 2012 and 30 June 2013;
 - iii. The cost of the audit of those financial statements and reports for 30 June 2012 and 31 December 2012;
 - iv. A fixed amount of \$15,000 in respect to the financial accounts and report for 30 June 2013.

This resulted in a debt release gain under the Deed of Company Arrangement of \$2,240,152 being recognised in the half year ended 31 December 2012 as detailed below:

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Assets transferred to Creditors Trust		
Amount receivable from subsidiary company ^A	-	8,269,756
Deduct provision for non-recovery ^A	-	(8,269,756)
	-	-
Gain on creditor obligations released	-	2,240,152
Gain arising from Deed of Company Arrangement	-	2,240,152

A – Refer to point 2 above.

VIRAX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

3. EARNINGS PER SHARE

The following reflects the profit/(loss) and share data used in the calculations of basic and diluted earnings per share.

	Consolidated	
	31 December 2013	31 December 2012
	\$	\$
Net Profit/(Loss) attributable to members used in calculating basic and diluted earnings per share	(713,504)	1,787,000
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	242,730,519	23,647,371 (post consolidation)
Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share:	242,730,519*	23,647,371 (post consolidation)

* - 98,000,000 share options outstanding at 31 December 2013 (2012: Nil) have not been included in the calculation of dilutive earnings per share as these are anti-dilutive.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Cash at bank and on hand	1,511,029	-
	1,511,029	-

5. TRADE AND OTHER RECEIVABLES

Tax refund (GST)	87,326	-
Other - sundry	28,000	-
	115,326	-

VIRAX HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

6. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2013 \$	30 June 2013 \$
Current		
Accounts Payable	35,004	-
	35,004	-

7. CONTRIBUTED EQUITY

Issued and paid up capital - ASX Code VHL	31 December 2013		30 June 2013	
	Number of Securities	\$	Number of Securities	\$
Ordinary shares fully paid	550,647,371	38,521,193	236,469,817	36,216,338
Movements in shares				
Beginning of the financial period	236,469,817	36,216,338		
Consolidation of shares	(212,822,446)	-		
Issued during the period, net of capital raising costs	525,000,000	2,294,855		
Exercise of options	2,000,000	10,000		
End of financial period	550,647,371	38,521,193		

Unlisted Options

The following options were outstanding at 31 December 2013 (30 June 2013: Nil):

	Number of options	Issue date	Expiry date	Exercise price \$
Beginning of the financial period	-			
Issued during the financial period	100,000,000	25 September 2013	21 October 2017	0.005
Exercised during the financial period	(2,000,000)	25 September 2013	21 October 2017	0.005
Total Unlisted Options	98,000,000			

The 100,000,000 options were issued on 25 September 2013 pursuant to the prospectus lodged with ASX on 18 September 2013 to raise \$1,000 in line with the recapitalisation of the Company as approved by the shareholders on 24 July 2013.

VIRAX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8. RELATED PARTY DISCLOSURES

As at 31 December 2013, interests held in equity instruments by directors and executives (directly and indirectly) of the reporting entity were:

<i>Director</i>	Ordinary Shares	Unlisted Options	
		Number	
		Vested	Unvested
Dr Wayne Millen	25,000,000	7,000,000	Nil
Dr Brendan de Kauwe	12,400,000	5,000,000	Nil
Dr Roland Toder	Nil	2,000,000	Nil

9. FAIR VALUES

The fair value of financial assets and liabilities of the consolidated entity approximate their carrying value. The consolidated entity has no financial asset or liabilities where the carrying value of amount exceeds the net fair value at balance date.

10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in the contingent liabilities and contingent assets since the last annual reporting date.

As detailed in Note 13, Virax Holdings Ltd has assigned the receivable it had from Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less certain adjustments as detailed in Note 13) to the Trustees of the Creditors Trust. In accordance with Australian Accounting Standards, the assignment of the loan to the Creditors Trust is considered to be a financial liability for Virax Holdings Ltd.

The loan receivable from Virax Immunotherapeutics Pty Ltd is expected to be repaid from receipts from the Transgene asset held by it. At 31 December 2013, the directors of Virax Holdings Ltd have assessed that the likelihood of any receipts from the Transgene asset is remote and accordingly, the fair value of the financial liability has been assessed to be Nil (2013: N/A).

11. EVENTS AFTER THE BALANCE DATE

No matters or circumstances has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

12. SEGMENT REPORTING

Virax operates within one segment, being the development of biotechnology, within Australia. As the Group only operates in one segment, the matters required to be assessed by the Chief Executive Officer (the board of directors) are those applicable to the Group as a whole.

VIRAX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

13. DEED OF COMPANY ARRANGEMENTS AND RESTRUCTURING DEED

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.

A Deed of Company Arrangement ("DoCA") was proposed and considered by the Company's creditors on 28 September 2012.

The DoCA provided for the creation of a creditors' deed of trust and an opportunity for the Company to be restructured for a "cash consideration". The DoCA was approved by Creditors on 28 September 2012. Under the DoCA the claims of the Company's creditors as at the 24 August 2012 now reside within the trust. The DoCA was executed on 19 October 2012, as was the Virax Creditors Trust Deed. The Voluntary Administrators were appointed as Deed Administrators and Trustees. The purpose of the DoCA was to facilitate a reconstruction and recapitalisation of the Company with a view to having the Company relisted on the ASX.

Following the Administrators' appointment, expressions of interest were sought from third parties for the reconstruction and recapitalisation of the Company.

Reconstruction of the Company

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 the following:

- (a) The Company consolidated its existing securities on a one (1) for ten (10) basis, rounded to the nearest whole number (Consolidation). 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 (Shares) issued at a price of \$0.00001 each raising \$250 (on a post-Consolidation basis)(Proponent Shares);
 - (ii) 500,000,000 Shares at an issue price of \$0.005 each raising \$2,500,000 (on a post-Consolidation basis) (General Placement Shares); 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) (Proponent Options).
- (c) These securities were issued to persons nominated by Otsana to receive securities in the Company, in accordance with Resolution 2 of the Notice of Meeting dated 24 July 2013, and their associates (together, the Proponent Nominees). The proposed new directors of the Company, Dr. Brendan de Kauwe, Dr. Wayne Millen and Dr. Roland Toder (together the Proposed Directors) and their associates, participated as Proponent Nominees up to a maximum allocation as specified in the accompanying Explanatory Statement.
- (d) Of the funds raised from the issue of these securities, the Company paid \$500,000, subject to reduction of that amount to the extent of certain Virax Group liabilities which may be incurred up to Settlement of the Reconstruction Deed that will not be paid by the Trustees of the creditors' trust created in accordance with the DOCA and certain additional audit and other costs associated with the Virax Group's financial accounts and reports up until the financial year ended 30 June 2013 (Cash Consideration), to the Trustees of the Creditors' Trust.
- (e) The Proposed Directors were appointed to the board of directors of the Company immediately upon the Recapitalisation Resolutions being passed at the Meeting. Following appointment of the Proposed Directors, the Company's existing Directors resigned.

The Reconstruction Deed was subject to a number of conditions, including obtaining necessary shareholder approvals.

These shareholder approvals were provided in a general meeting on 30 August 2013.

VIRAX HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

13. DEED OF COMPANY ARRANGEMENTS AND RESTRUCTURING DEED (CONTINUED)

The Prospectus was issued on 19 September 2013. 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.

At the time the Cash Consideration was paid to the Creditors' Trust (which occurred upon Settlement of the Reconstruction Deed):

1. the Deed Administrators perfected the assignment to the Creditors' trust of the Company's loan receivable from its subsidiary Virax Immunotherapeutics Pty Ltd (capped at the amount of \$8,269,756 less the Cash Consideration) as described in paragraph (d) above;
2. DOCA will terminated;
3. all admitted claims against the Company arising on or before 24 August 2012 (Claims) were released and compromised with those creditors' with Claims (Creditors) instead entitled to rights in respect of the Creditors' Trust; and
4. the Company retained its main business undertaking.

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.



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Auditor's Independence Declaration to the Directors of Virax Holdings Limited

In relation to our review of the financial report of Virax Holdings Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T G Dachs
Partner
28 February 2014

VIRAX HOLDINGS LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Virax Holdings Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) give a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date, and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporation Regulations 2001*; and

- (b) there are reasonable grounds to believe that Virax Holdings Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'Wayne Millen', with a horizontal line underneath.

Wayne Millen
Chairman
Perth
28 February 2014

To the members of Virax Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Virax Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Virax Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

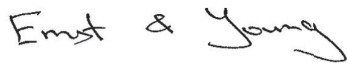
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

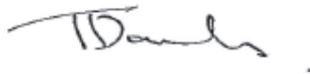
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Virax Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs
Partner
Perth
28 February 2014