ASX Announcement (173)
9 November 2004

Chairman's Address

Ladies and Gentlemen,

I'm very proud to report on the continuing progress of your company today. I'm very pleased that we have arrived at this year's meeting with impressive momentum.

Our shares are trading on the ASX at roughly 70 per cent more than they were trading this time last year, and we have issued more of them. In the course of the year we have grown from a company with a market capitalisation of roughly $8 million to one of $24 million.

We firmly believe that our performance in creating shareholder value this year is sustainable in future years. Our confidence is broadly underpinned by a number of factors. First, there is the strength of our technology and the consistent demonstrations of its effectiveness we see in both our pre-clinical trials and our clinical trials. Second, there is the general march towards the market that we can now see in the broader immuno-therapeutic sector internationally, in which we are a significant player. Finally, we believe that Virax has a clear, transparent development strategy that offers numerous leverage points for investors looking for high returns.

Our Co-X-Gene™ technology is progressing on a number of fronts and our basic confidence in it has strengthened. We have successfully concluded landmark phase I/IIa trials for our HIV-AIDS therapeutic, VIR 201. This development is the most hopeful sign to date anywhere in the world that a new approach to combating HIV and AIDS may be within reach. We are now progressing towards the next step in clinical trials for VIR201. We aim to start phase IIb trials for VIR201 next year. At present we are planning the trials with our CRO, Parexel. We are also preparing for the manufacture of VIR201 for the trial.

In addition, we have made important progress in our two other major programs, the prostate cancer and the hepatitis B programs, both of which are further applications of our platform Co-X-Gene™ technology. Our prostate cancer candidates, VIR501 and VIR502, began pre-clinical trials this year and have demonstrated very encouraging immunogenicity in animal trials. Further work in small animals is in progress but we are close to beginning clinical trials.

As well, our hepatitis B candidate, VIR401 commenced pre-clinical trials late last year and since then has also demonstrated encouraging immunogenicity.

Complementing the encouraging results we see stemming from our own efforts, there is the undeniable march towards the market that is evident in the wider immuno-therapeutic sector. Virax is part of a small but elite group of cutting edge drug development companies worldwide. Together, these companies are pioneering a new approach to combating disease by harnessing the natural processes of the body's immune system.

We are seeing significant progress being made by peer companies who are using viral vector based approaches. One of these, Transgene in France, has two development candidates in late phase II trials targeting a number of cancers, including cervical, breast and lung cancer. Another, Therion Biologics, based in Massachusetts, has a metastatic pancreatic cancer candidate in advanced phase III trials under a Special Protocol Assessment with the FDA. As we see it, this field exhibits many of the features the pharmaceutical world saw in the mono-clonal antibody field during the mid-1980s. A number of small, highly competent drug development companies were pioneering a new technology and moving inexorably towards the market that, later in 1990s, they conquered across a range of disease applications. There are now a number of "blockbuster" drugs in this class.

Now I'd like to stand back a bit and talk about our company from first principles, taking into account the investor point of view.

First, Virax is an early stage drug development company. Early stage drug development companies offer investors enormous potential leverage. They offer progressive steps to build shareholder value. Of course, this comes with risk, but, like Virax, these companies are well priced because the risk is taken into account. In other words, the entry price is reasonable while the leverage points to build shareholder value are numerous along the drug development path.

Second, Virax has a platform technology that harnesses and directs the immune system to fight off disease. This platform provides Virax with multiple drug development options, all of which are at an early stage. In this sense, the leverage points to build shareholder value available in a standard early stage development company are multiplied in the case of Virax.

Third, only a handful of companies worldwide operate in this area. A reason for our relative isolation is that the technology and "know how" involved is complex and highly demanding. But, of course, we are a leading world practitioner in a field where results are being demonstrated and our IP is strongly protected. The multiple leverage points to build shareholder value that Virax offers are thus complemented by the momentum developing in our field.

The company's experience this year bears out its attractions for investors. Significant progress has been made in two applications of our platform technology, with the success of VIR201 and the imminent selection of a prostate cancer candidate for clinical trials. More general progress is being demonstrated by the small number of other companies in the same immuno-therapy field as Virax, including Transgene and Therion Biologics, underpinning its potential. Finally, the success of the VIR201 trial and the demonstration of its ability to reduce viral load has produced a solid step in building shareholder value for investors.

Rather than rush to share our achievements in building shareholder value, our aim is to get as far ahead as we can under our own steam – while minimising the dilution of shareholder value -thereby giving shareholders the optimal leveraged exposure to a cutting edge drug development company at its most valuable, formative stage. Hence our focus on attracting non-dilutive funding to support our next steps with VIR201.

I might conclude with some remarks about what we at Virax see as the advantages of appropriate scale.

This company is not large, and we think this is appropriate. We have a clear set of technology development tasks, some of them are behind us, and many are in front. We don't find them daunting because we are well structured to produce outcomes. Our overheads are very low and the cost of our development is strikingly low by the standards of our international peers.

Our management is focussed on doing the work hands on, with very high capability. Rather we are very nimble and intensely focussed on outcomes. We raise capital on performance, and enough for the tasks at hand. We see this business profile as a highly attractive one for investors seeking direct exposure to a very targeted number of development programs.

Turning to the future, we are assessing the timing of a further capital raising, which we may undertake through a rights issue or perhaps some other mechanism. Our intention is to take the least dilutive road. As I've already said, we are seeking non-dilutive funding for the next phase of the VIR201 trials but the timing remains uncertain.

To conclude, I'd like to share with you the broad vision held by the Board and the senior management of this company. We aim to hold on to our IP and its related manufacturing know-how. We aim to build a major pharmaceutical company on the success of our technology platform and in the process seek appropriate partnering opportunities. We are pleased with our progress and we invite our shareholders to continue to enjoy their participation in our company.

Many thanks

Tom Quirk
Chairman

Progress and Momentum

- Virax market capitalisation approaches $24 million (vs $8m November, 2003)
- Consistent demonstrations of effectiveness Virax's technology platform in 2004
  - Clinical and pre-clinical demonstrations of effectiveness
- Peer companies in immuno-therapeutic field moving towards the market
  - Parallels with status of mono-clonal antibody field in 1980s

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Progress and Momentum

- Virax is a singular company for building shareholder value
  - Early stage drug development vehicle offering numerous value leverage points for investors
  - Technology platform offering multiple early stage paths to replicate leverage points
  - Significant re-valuation potential as peer companies in emerging field approach product market

VIRAX AGM

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Product Development Programs

Where a Biotech Company creates Sustainable Shareholder Value

Dr. David J. Beames, CEO

VIR201-Virax Therapeutic HIV Vaccine

- **Suppression of HIV virus by VIR201 in Phase I/IIa Extension Trial**

- **Larger Phase IIb now required**

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Monoclonal Antibodies-History of a New Therapy

Product	Company	Approved	Market (USD)
Orthoclone OKT3	J&J	June 1986	
ReoPro	Lilly	Dec 1994	0.43$B (2001)
Rituxan	Genentech	Nov 1997	1.6$B (2004)
Remicade	J&J	Aug 1998	1.5$B (2002)
Synagis	Medimmune	June 1998	1.0$B (by 2005)
Humira	Abbot	Dec 2002	0.28$B (2003) 0.70$B (2004)
Erbitux	BMS etc	Feb 2004	

VIR201 - Next Steps

- **Phase IIb trial of VIR201**
- **Funding from traditional and non-traditional non-equity sources**
- **Submission to FDA for pre-IND meeting and subsequent IND application**
- **Manufacture of VIR201 for IIb**
- **VIR201 Patents granted in Australia and NZ**
- **Process Development for VIR201/FPV's**

Virax/Co-X-Gene™ Technology Pipeline

- Prostate cancer candidates - pre-clinical immunogenicity
- Patents filed /completed in 2003/2004
- Hepatitis B candidates - pre-clinical immunogenicity
- Vector Construction Unit (VCU) fully operational
- Project Bio-Shield Programs in progress