

VIRAX HOLDINGS LIMITED

ABN 56 0 569 106

PROSPECTUS

Non-Renounceable Pro Rata Issue

of

3 New Shares for every 8 Ordinary Shares

at

\$0.15 (Fifteen cents) per New Share

to

Raise approximately \$3,580,942 million (after expenses)

PLUS

1 nil cost Entitlement Option for every 3 New Shares

Exercisable

Before 5pm, 15 December 2009 at \$0.20 (Twenty cents) per Share

CLOSING DATE: 21 December 2005

Offer Manager: Bell Potter Securities Limited

This Offer is not underwritten.

The directors reserve the right to issue any Shortfall at their discretion. This document is important and requires your immediate attention. Carefully read this Prospectus in full and consult your stockbroker, solicitor, accountant or other financial adviser if you are in any doubt as to how to deal with it. Any investment in Virax should be considered as a speculative investment.

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Checking Your Share Holdings

Your current Virax shareholdings can be viewed by going to the Computershare website (www.computershare.com.au).

Brokerage

The Company will pay a brokerage fee of 3.5% on the total amount payable on each Entitlement and Acceptance Form lodged by participating ASX brokers and licensed securities dealers.

Summary of Key Dates*

Announcement of Pro Rata Issue	21 November 2005
Ex Date	29 November 2005
Record Date to determine entitlements	5 December 2005
Anticipated despatch of Prospectus and Entitlement and Acceptance Forms	7 December 2005
Closing Date for acceptances	21 December 2005
Anticipated despatch of holding statements for New Shares and Options	3 January 2006
Trading of New Shares and Options commences	6 January 2006

*Shareholders are advised that these dates and the dates referred to throughout this Prospectus (except the date of this Prospectus) are indicative only and Virax, in consultation with ASX (if necessary), reserves the right to change them, without prior notice. In particular, Virax reserves the right, subject to the *Corporations Act 2001* and the ASX Listing Rules to extend the Closing Date or withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

Important Notice

This Prospectus is dated 25 November 2005. A copy of this Prospectus was lodged with the ASIC on 25 November 2005. The ASIC and ASX take no responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus, being the expiry date of this Prospectus. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Definitions of certain terms used in this Prospectus appear in section 7.

Important Document

It is important that you carefully read this Prospectus in its entirety before deciding to invest further in Virax and, in particular, that you consider the risk factors that could affect the financial performance of Virax. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Overseas Shareholders

The Offer is not being made to any Excluded Shareholders (being Shareholders with registered addresses in places outside Australia and New Zealand).

The Company has decided that it is unreasonable to make the Offer to Excluded Shareholders, having regard to the number of Excluded Shareholders, the number and value of New Shares they would be offered, and the costs of complying with the regulatory requirements in those places.

Application for New shares

If you wish to apply for New Shares, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Prospectus by the Closing Date. If you have not received a personalised Entitlement and Acceptance Form, please contact Computershare Investor Services Pty Limited on 1300 669 814.

Privacy Disclosure

The Company collects information about each qualifying Shareholder provided on the Entitlement and Acceptance Form for the purpose of processing Entitlement and Acceptance Forms, and, if the qualifying shareholder is successful, to administer the qualifying Shareholder's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each qualifying Shareholder agrees that the Company may use the information provided on an Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and other regulatory authorities.

The *Corporations Act 2001* requires the Company to include information about the security holder (including name, address and details of the securities held) in its public register. The information contained in the Company's public registers must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on an Entitlement and Acceptance Form, the Company may not be able to accept or process the form.

A qualifying Shareholder has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Letter from the Chairman

25 November 2005

Dear Shareholder,

On behalf of the directors, I am pleased to offer you the opportunity to invest in Virax through this Pro Rata Offer of ordinary Shares.

The Offer fully subscribed will raise approximately \$3,844,942 before expenses, which are expected to be approximately \$264,000. I am delighted that Bell Potter Securities Limited are acting as manager of the Offer. While you will find a detailed description of the use of the funds set out in section 3, let me outline the strategic business context in which this Offer is being made.

Virax is a biotechnology company that uses its funds to develop a portfolio of commercial opportunities based on its intellectual property, know-how and physical assets. Virax aims to succeed in creating value in that portfolio and in turn see that reflected in higher share value.

For most biotechnology companies, sequential rounds of fund raising are necessary before reaching a sustainable stage. Sustainability occurs when technical development is sufficiently advanced for the Company to undertake licensing or partnering deals so that these new funding sources relieve shareholders of being the sole source of financing.

In setting the business strategy of Virax I recognise that, when choosing to invest in a biotechnology development company, we shareholders are making a speculative investment. Nevertheless there is the potential for very attractive rewards.

This Offer is intended to underpin the financial capability of the Company to proceed into an enlarged Phase II clinical trial of VIR201. Upon completion of the trial and with statistical data that demonstrates the justification to proceed further, the directors believe Virax will then be positioned to access the major partnering market for biotechs, particularly in the USA. The directors believe that after years of persistent work the Company is now moving to a point that assets meticulously grown will bear fruit for shareholders.

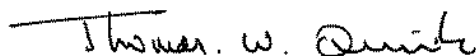
To apply for New Shares under the Offer, you must complete the Entitlement and Acceptance Form accompanying this Prospectus. The closing date for acceptance and payment is 21 December 2005. If you have any questions concerning the Entitlement and Acceptance Form, please contact Computershare on 1300 669 814 (within Australia) or +61 3 9415 4266 (outside Australia).

This Prospectus contains full details of the Offer. Please read it carefully before deciding to invest. If you have any questions concerning the Prospectus, you should consult your professional adviser.

I intend to take up my full entitlement under this Offer. I invite you to consider this investment opportunity.

On behalf of the Board and myself I do thank all shareholders for their loyalty and past support.

Yours faithfully,



Thomas W. Quirk

Dr Thomas W Quirk

Chairman

Letter from the Chairman

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Yours faithfully,

Thomas W. Quirk

Dr Thomas W Quirk

Chairman

1. Details of this Pro Rata Issue

1.1 This Pro Rata Issue

Virax is making a non-renounceable pro rata Offer of New Shares on the basis of three New Shares for every eight Shares held at a price of 15 cents per New Share to holders of Shares who were registered as at 5.00 pm Melbourne time on 5 December 2005.

Shareholders who participate in the Offer will also receive, at no cost, one option for every three New Shares taken up. Each Option will entitle the holder to subscribe for one fully paid Share at an exercise price of 20 cents at any time prior to 5.00 pm Melbourne time on 15 December 2009.

1.2 Your Entitlement

The number of New Shares and Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares and Options will be rounded up to the nearest whole number. The Closing Date and time for acceptance and payment is 5.00 pm Melbourne time on 21 December 2005. The Company reserves the right to extend the Closing Date.

1.3 Deferred Payment - 50% On Application and the balance in April 2006

You may choose to pay for your New Shares in full on application or pay 50% of the total price of New Shares at the time of application, in which case the balance must be paid at any time prior to 5:00pm (Melbourne time) 3 April 2006. Details are shown in section 2 below.

1.4 Applying for Additional New Shares

How to Apply

Having applied for your full entitlement, you may wish to apply for more New Shares than the number shown on your Entitlement and Acceptance Form. That is, you may wish to apply for "Additional Shares". To do this, complete the "Additional Shares" section provided on the Entitlement and Acceptance Form.

Choice of Payment

The same payment terms you chose for your New Shares apply to applications for Additional Shares. That is, if you pay in full for your New Shares then you must pay in full for your Additional Shares. If you part pay an application for your New Shares then you must only part pay for any Additional Shares.

Options on Additional Shares

For every three Additional Shares issued to you, you will receive, at no cost, one Option.

If the aggregated number of New Shares applied for as entitlements, plus Additional Shares applied for exceeds the maximum number of New Shares offered pursuant to this Prospectus, the directors reserve the right to scale back any, some, or all such applications for Additional Shares.

1.5 ASX Listing of Shares and Options

Subject to section 1.1, Virax will apply for the New Shares that have been paid for in full and Options to be listed for quotation on the Official List of the ASX within 7 days of the date of this Prospectus.

The fact that ASX may grant official quotation of New Shares and Options is not to be taken in any way as an indication of the merits of Virax or the New shares or Options issued under this Offer.

If approval for quotation is not granted by the ASX within three (3) months after the date of this Prospectus, Virax will not issue any New Shares or Options and will repay all application monies within the time prescribed under the *Corporations Act 2001*, without interest.

Shares paid for on a deferred payment basis will be partly paid Shares until the balance is paid. Partly paid shares will not be listed on ASX and therefore will not be tradeable on the ASX. Once the outstanding balance is paid such Shares will become fully paid Shares and thus they will be tradeable on the ASX. Refer to section 2.2 regarding the payment terms and conditions of partly paid Shares.

1.6 Total Number of Shares to be Issued

The total number of New Shares to be issued pursuant to this Offer, if fully subscribed, will be approximately 25,632,950 (the exact number depends on rounding-up of individual holdings). The gross proceeds (before costs) of this Offer will be approximately \$3,844,942. Expenses are expected to be approximately \$264,000.

1.7 Underwriting

The Offer is not underwritten. The directors reserve the right to arrange underwriting, in part or in full, subsequent to the date of this Prospectus. If such underwriting is arranged then details will be announced prior to the Closing Date of acceptances.

1.8 Shortfall

The directors reserve the right to issue any Shortfall at their discretion. As set out in section 1.4, Shareholders may apply for Additional Shares which may become available in the case of a Shortfall, and the directors intend to actively seek to place to the full extent of any Shortfall.

1.9 Use of funds

Details as to the use of funds raised under this Offer are to be found in section 3.

1.10 Minimum Subscription

This Offer will have a minimum subscription of \$1,000,000 (both components of the payment for partly paid Shares, i.e. the full price of \$0.15 for New Shares, will be counted in calculating the minimum subscription).

The directors reserve the right to issue any Shortfall at their discretion. The issue of any Shortfall by the directors may form part of the minimum subscription.

If the minimum subscription is not achieved, application moneys will be returned and the directors will scale back the Company's operations as outlined in section 3 until further funding is obtained or the Company's assets may be sold. If the minimum subscription is achieved, but the Offer is not fully subscribed, the Company may have to reduce or delay expenditure on various activities, but will seek to continue the VIR201 HIV/AIDS Phase II testing.

Except as provided above funds raised will be used to proceed with the Company's activities as detailed in section 3.

1.11 Your Entitlement to Participate in the Offer and the Record Date

The Record Date for the purpose of the Offer is 5.00 pm on 5 December 2005. Persons who, on the Record Date, are registered as the holders of Shares, will be entitled to participate in the Offer. If a person purchased Shares before 29 November 2005 (the ex-entitlement date) the Company will recognise the entitlement of that person to participate in the Offer in respect of those Shares in accordance with ASX Listing Rule 7.12. That Rule says the Company must accept evidence of entitlement constituted by copies of certified contract notes from market participants of the ASX. The notes must show that the Shares had been acquired by the market participant's client on a "cum" basis.

The number of New Shares and Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form (fractional entitlements have been rounded up).

Shareholders may apply for New Shares in excess of their entitlement, which may become available to the extent that existing Shareholders do not take up their full entitlements. If you wish to apply for New Shares in excess of your entitlement, you should indicate the additional number of New Shares ("Additional Shares") you wish to apply for in the place provided for on the Entitlement and Acceptance Form. Payment for the Additional Shares must accompany the Entitlement and Acceptance Application Form. Payment terms are detailed in section 2. The directors reserve the right to issue any Shortfall at their discretion.

1.12 Closing Date

The Company will accept applications from the date of this Prospectus until 5.00 pm Melbourne time on 21 December 2005 or such other date as the directors in their absolute discretion may determine subject to the requirements of the ASX Listing Rules.

1.13 Ranking and distributions

The New Shares will, from issue, rank equally with existing Shares from the time they are issued. A summary of the rights attaching to the New Shares and Options is set out in sections 6.4 and 6.5 of this Prospectus.

1.14 Checking Your Share Holdings

Your current Virax share holdings can be viewed by going to the Computershare website (www.computershare.com.au).

1.15 Issue of New Shares and Options

Virax expects to issue the New Shares, Additional Shares, and Options on or before 3 January 2006. No issue of New Shares or Options will be made until the minimum subscription has been achieved and permission is granted for quotation of the New Shares and the Options on the ASX.

Application monies will be held in trust for applicants in a subscription account until New Shares and Options are allotted to such applicants.

1.16 No Rights trading

This offer is non-renounceable, which means that rights cannot be transferred or traded on the ASX. Any portion of your entitlement that you decide not to accept will lapse and become part of the shortfall.

1.17 **Market prices of Shares**

The lowest and highest market sale prices of Shares on the ASX during the 3 months immediately preceding the lodgement date of this Prospectus, and the respective dates of those sales, were:

- Highest Price was 30 cents (thirty cents) on 19 September 2005
- Lowest Price was 14 cents (fourteen cents) on 22 November 2005

The last sale price for Shares on the ASX on 24 November 2005, being the day prior to the date of this Prospectus, was 16 cents (sixteen cents).

1.18 **Management Fee**

Bell Potter Securities Limited has been appointed as the manager of the Offer. The Company will pay Bell Potter Securities Limited a management fee of 2.5% of the total amount of the funds raised under the Offer.

1.19 **Brokerage**

The Company will pay a brokerage fee of 3.5% on the total amount payable on each Entitlement and Acceptance Form lodged by participating ASX brokers and licensed securities dealers.

1.20 **CHESS**

Virax participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules. Under CHESS, shareholders will not receive a certificate but will receive a holding statement for the New Shares and Options.

2. Action Required by Shareholders

2.1 **What you may do**

The number of New Shares and Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may take up:

- **all** of your entitlement;
- **all** of your entitlement **and** apply for **Additional Shares**;
- **part** of your entitlement and allow the balance to lapse; or
- **none** of your entitlement.

If you wish to take up:

ALL of your entitlement, *or*

ALL of your entitlement **and** apply for **Additional Shares**:

1. Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form.

2. Decide on the method of payment
Details are set out in Section 2.2 below
3. Ensure your application is received by Computershare's office (at the address shown below) by 5.00 pm Melbourne time on the Closing Date. The Closing Date is currently 21 December 2005, but the Company reserves the right to extend the Offer.

If you wish to take up **PART** of your entitlement and allow the balance to lapse:

1. Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form.
2. Decide on the method of payment
Details are set out in Section 2.2 below
3. Ensure your application is received by Computershare's office (at the address shown below) by 5.00 pm Melbourne time on the Closing Date. The Closing Date is currently 21 December 2005, but the Company reserves the right to extend the Offer.

Note: If you decide not to take up all or part of your entitlement to New Shares, the entitlements, to the extent not taken up, will lapse. The directors reserve the right to issue any Shortfall at their discretion and you will receive no benefit.

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Telephone: (Within Australia) 1300 669 814
(Outside Australia) 61 3 9415 4266

Facsimile: (03) 9473 2500

If you wish to take up **NONE** of your entitlement and thus allow it to lapse you need do nothing.

2.3 Payment

Acceptance of New Shares and applications for Additional Shares must be accompanied by either:

- **Payment in full** of the total cost of the number of shares for which you have applied
- OR
- **Payment of 50%** of the total cost of the number of Shares for which you have applied on application.

If a shareholder chooses to pay only 50% of the total cost at the time of application, the balance is payable on or before 5.00 pm (Melbourne time), 3 April 2006. A notice will be sent to shareholders who partly pay for New Shares approximately one month prior to 3 April 2006 and such notice will designate the place to which payment is to be made. Failing receipt of the letter, payment must be made by the time and date above at the address contained in section 2.1

Conditions applicable to shares that are paid in two parts

- Shares that are paid for in two parts will be issued and designated as "Partly Paid Shares" and carry the entitlement to Options as described in this Prospectus.
- Shares that are issued as "Partly Paid Shares" **will not be listed on ASX**

- The directors recognises that because of rounding when calculating an amount owed at the time of making a part payment it is possible that minor underpayment by a shareholder may occur. Directors reserve the right to forgive such under payment.

Form of Payment

Payments will only be accepted in Australian currency and as follows. Payment may be made by one of the following methods:

- BPAY (only available if you pay in full. i.e. It **should not** be used if you wish to pay only 50% on application. Those who use BPAY **will not need** to return the Entitlement and Application Forms.

Note: If BPAY is used by an applicant intending to part pay, the result will be that the amount transferred will be treated as a Payment-in- Full and the number of New Shares will be calculated accordingly. bank cheque drawn on and redeemable at any Australian bank; or

- Bank cheque drawn on and redeemable at any Australian bank.
- Personal cheque drawn on and redeemable at any Australian bank.
- Cheques or bank cheques should be made payable to “**Virax Holdings Pro Rata Issue Trust Account**” and crossed “**Not Negotiable**”. Shareholders are asked not to forward cash. Receipts for payment will not be provided.

2.4 Enquiries

Inquiries about this prospectus please contact

Computershare Investor Services Pty Limited

Telephone: (within Australia) 1300 669 814

(Outside Australia) 61 3 9415 4266

Facsimile: (03) 9473 2500

Web: www.computershare.com.au

For further instructions, please refer to the accompanying Entitlement and Acceptance Form.

3. Virax and its Potential

3.1 The Company's Purpose

Virax is an immunotherapeutics company utilising its Co-X-Gene™ and FPV (fowl pox vector) technologies, with a vector construction capability, an immunotherapy manufacturing capability and a comprehensive intellectual property portfolio. It has pre-clinical and clinical programs for HIV, prostate cancer and hepatitis B. The Company has data from pre-clinical and clinical trials in animals and humans. The directors believe that the combination of these technologies and capabilities for drug discovery and lead development provide significant opportunities in the immune based therapy sector of the industry.

The directors believe these are strategic assets and with further development they are attractive to both international and Australian companies which are in the business of developing treatments for infectious diseases, cancers and autoimmune diseases. They are the assets Virax aims to use to attract both additional financing and ultimately partners and thereby unlock the value of the technology for shareholders by, for example, the out-licensing of the Company's technology.

The directors also recognise that the very nature of an early stage development company such as Virax is high risk. An investment in such a company is speculative and individual investors should understand that. The risks range from scientific failure to commercial failure but the enormous potential reward is the reason for individual risk taking. The directors believe, based on their assessment of the Company's results to date and those of others in the immune based therapies field, that the continuation of the development programs is well justified.

The funds sought under this Prospectus are to provide further working capital and for the preparatory work but not the funding required for the actual clinical stage of HIV VIR201 enlarged Phase II trial or trials of other potential products.

The directors believe the funds required primarily for the HIV VIR201 enlarged Phase II trial, which are in the order of \$US6-8 million (AUD\$8.5-11.5 million), are most likely to be sourced from overseas. This is explained in more detail below.

3.2 The Focus is the HIV Drug – VIR201

While seeking such trial funding the Company will be focusing on the work required to submit the necessary IND (Investigational New Drug) application for VIR201 to the US FDA. This application is required to undertake trials in the US for a drug such as VIR201. This work will also be used to prepare the necessary application of approval for enlarged Phase II trials in Australia.

- The directors believe that the concentration of resources on the development of the potential of the HIV drug VIR201 is appropriate because the technology has been submitted to considerable scrutiny and remains significant and sound.

In response to a "request for proposal" initiated by the US National Institute of Health the Company submitted a development proposal for an HIV treatment drug based on VIR201. The NIH has a rigorous system of technical review. The purpose of such a review is to determine whether a proposal has sufficient scientific merit for further consideration as to whether NIH might provide funding. The answer for VIR201 was it was judged to be "fundable" This the directors believe is a very significant endorsement. In addition:

- The VIR201 Phase I/IIA Trial results were presented to an International Conference in 2004 and received a favourable critical reception.
- Two Independent reviews conducted on behalf of corporate groups, that have shown interest in funding a South African trial of VIR201 have endorsed the technology.

Based on the above confirmation of the strength of the technology, the directors believe the case to continue to progress the development of VIR201 is compelling.

With this focus the next step is to conduct an enlarged Phase II clinical trial. Such a trial will have at least one site in each of the US and Australia. Since the US is potentially the major market for VIR201 it is essential that trials be conducted in the US so ultimate registration is facilitated. Equally, a future partner is more likely to be found in the US. So, in commercial terms, the end point of the trial will be to provide results which are sufficient to attract a US partner.

To undertake the actual clinical trials, regulatory applications have to be prepared for the jurisdictions in which the trials are to be conducted. For the US an application for an IND (Investigational New Drug) must be submitted to the FDA (Food and Drug Administration). In Australia the relevant authority is the Therapeutics Goods Administration. The Ethics Committee approvals at the institutions where the trials are to be conducted also have to be obtained. This is the activity we describe as preparatory work to the commencement of the trial.

It is anticipated that the end point of the preparatory work – trial site identification and with the requisite approvals, including an IND and Australian CTN (Clinical Trial Notification) – will be completed during Quarter 4 2006 and patient enrolment commenced by the end of 2006. The interim trial results are expected to be available late 2007 and the final results by mid 2008.

The remaining cost of the preparatory work is included in the budget for calendar 2006. It is this budget that is to be financed by part of this capital raising.

While the Company's activities are constrained because of the lack of capital its product development programs, other than for the HIV VIR201 program, are being conducted at a significantly slower rate of progress.

The cost of the clinical stage of the Phase II Trial itself is estimated to be US\$6-8 million (AUD\$8.5-11.5 million).

3.3 Funding Plans

Directors plan to fund the clinical stage of the Phase II Trial from a major capital raising that is most likely to be from major new investors who are likely to be found overseas. Such a capital raising will aim to raise sufficient funds to undertake the HIV VIR201 clinical trial, other product trials and provide the working capital to run the Company for a further two or more years. While currently actively seeking such funding, at this time the directors cannot assure shareholders that such funding will be available either as to the amount required or at the time it is required. That is, such funding may be delayed or not available. Directors recognise the risks but believe the promise of the Co-X-Gene™ technology warrants the Company continuing its current operations. The risks are further discussed in section 5.

The raising of such funds may be through the issue of equity and such an issue may dilute existing shareholders' equity. Because such a raising may not be a pro rata issue and the quantum is likely to exceed the percentage set by the ASX, shareholder approval of the issue would be required. As at the date of this Prospectus the directors would not expect to be able to finalise such a raising before the second quarter of calendar 2006.

The directors do not exclude the possibility of raising part of such funds in Australia but it is their belief that the probability of success in raising all of the necessary amount, on acceptable terms, is not high.

As is the case for many biotechnology companies, sequential rounds of fund raising are necessary before the companies reach a sustainable stage. Such sustainability occurs when technical and product development is sufficiently advanced to be able to undertake licence sales or partnering and these sources can relieve shareholders of being the sole source of company financing.

If this Offer or other fundraising activities do not raise sufficient funds to allow Virax to continue its principal development programs the directors will scale back the programs and the Company's other operations until further funding is obtained. The objective of operating on a scaled back basis will be to retain the maximum possible value of the Company's assets and in particular to protect its valuable intellectual property assets.

3.4 **Current Funds**

As at the date of this Prospectus Virax has approximately \$2.220 million in cash and liquid assets less accrued expenses, and an estimated average net operating expenditure of \$352,000 per month over the 13 months to 31 December 2006. This Offer, fully subscribed will raised approximately \$3.845 million and after expenses the amount raised will be approximately \$3.581 million.

4. Effect of this Offer on Virax

4.1 Capital Structure

As at the date of this Prospectus, Virax has on issue 68,354,532 fully paid Shares. On issue are two classes of listed options designated VHLO and VHLOA. The number of outstanding options are; VHLO - 6,879,174 and VHLOA - 4,242,875. There are 3,206,750 unlisted options on issue. The details of the listed options are provided in section 6.8 and also referred to in section 4.2 below.

Under this Offer, assuming it is fully subscribed, the following securities will be extant:

	Existing	New	Total	Expiry	Exercise Price
Shares	68,354,532	25,632,950	93,987,482		
Listed Options					
VHLO	6,879,174		6,879,174	15-Dec-05	50 cents
VHLOA	4,242,875		4,242,875	16-Jan-06	25 cents
(Yet to be Designated)		8,544,317	8,544,317	15-Dec-09	20 cents
	11,122,049	8,544,317	19,666,366		
Unlisted Options	3,206,750		3,206,750		
				Various (See Sec 6.8)	
	82,683,331	34,177,267	116,860,598		

Fully subscribed, the proceeds from this Offer, before allowing for expenses, will amount to approximately \$3,844,942.

Expenses of this Offer are estimated to be approximately \$264,000.

4.2 Pro Forma Statement of Financial Position

On Virax's balance sheet, the pro forma impact on certain balance sheet items of the fully subscribed Offer, including associated Options and unlisted options, all on a fully diluted basis, would be:

	Share Capital	
	Number of Shares	Amount
Issued ordinary shares as at 21 November 2005	68,354,532	\$28,445,823
Shares issued under this Offer*	25,632,950	\$3,580,942
Post Pro Rata Issue Ordinary Shares	93,987,482	\$32,026,765
Listed Options previously issued as at 21 November 2005	11,122,049	\$4,500,306
Listed Options associated with this Offer**	8,544,317	\$1,708,863
Unlisted Options outstanding as at 21 November 2005	3,206,750	\$2,223,553
Fully Diluted Issued Ordinary Shares	116,860,598	\$40,459,487

* Net of Expenses - \$264,000

- ** Approximate number (due to rounding) of options that may be issued

4.3 Effect of this Offer

The net effect of this Offer, assuming all of the New Shares are taken up, will be to increase the cash held by Virax by approximately \$3,581,000, net of expenses and increase Shares currently on issue from 68,354,532 to 93,987,482.

There would be an aggregate maximum of 8,544,317 listed options issued, each of which carries an entitlement to subscribe for one Share and can be exercised on or before the dates set out in section 4.1.

The number of previously issued listed options is 11,122,049 (6,879,174 with an exercise price of \$0.50 and 4,242,875 with an exercise price of \$0.25). In the event that all such options were exercised the Company would receive an additional \$4,500,306. However it is anticipated that few, if any, of the listed options expiring on 15 December 2005 with an exercise price of \$0.50 will be exercised. In respect of the listed options expiring on 16 January 2006, with an exercise price of \$0.25, directors can form no view as to the number that might be exercised.

In addition, in the event that previously issued unlisted options are exercised, the Company would receive \$2,223,553. The earliest expiry date for some of such unlisted options is 31 December 2006. Directors can form no view as to the number of unlisted options expiring in 2006, or at later dates, that might be exercised.

4.4 AIFRS

Virax will be adopting Australian International Financial Reporting Standards (AIFRS) for application to reporting periods beginning on 1 July 2005. Virax does not consider that the application of AIFRS will impact on the pro-forma financial information set out in this section.

5 Risk Factors

In addition to the information shown below, an explanation of risks can be found on Virax's website (www.virax.com.au).

There are general risks with any investment in the stock market. The value of Shares may rise or fall depending upon a range of factors and stock market conditions which are unrelated to Virax's financial performance. Therefore, if an investor decides to sell Shares, the amount received may be higher or lower than the amount of the original investment.

In addition to the above, there are a number of specific risks concerning the Company of which potential investors should be aware. The following is not an exhaustive summary, but points to some of the risks that are peculiar to an early-stage biotechnology company. Any one or a combination of such risks could affect the Company adversely and thus the value of any investment in the Company. The Board is unable to speculate as to the extent of such adversity, and thus an investment in the Company should be regarded as speculative.

5.1 General risk factors

Economic Conditions - The performance of Virax may be significantly affected by changes in economic conditions, and particularly conditions which affect the biotech industry. Profitability of the business may be affected by factors such as market conditions, interest rates, inflation and consumer demand.

Geo-political Factors - Virax may be affected by the impact that geo-political factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.

Australian and Foreign Government Policies & Legislation - Virax may be affected by changes to government policies and legislation, including those relating to the biopharmaceutical and pharmaceutical industry, property, the environment, taxation and the regulation of trade practices and competition, "Start and Commercial Ready Grants" and other incentive schemes.

5.2 Specific risk factors

Change of Control - Currently, the number of shareholders is approximately 3,350 and there are two shareholders that have advised the Company that they are substantial shareholders, in accordance with the definition under the *Corporations Act* 2001. Such shareholders each hold less than 18% of the equity of the Company. Control of the Company could pass to an individual shareholder or group of shareholders through such shareholder(s) acquiring shares in an on market or off market transaction. In the event of such a change of control the Board or the management of the Company could change and the strategic direction could change.

Key Personnel - The success of the Company will depend on its ability to continue to have access to the services of highly qualified scientific, technical and managerial personnel. Competition for such staff is intense. Further, some intellectual property and developed know-how resides in its scientific and other staff or others under contract. The loss of key staff could have a material adverse effect on the Company.

Dependence on Others - Virax depends for its present development on continuing availability of staff and laboratories at other companies and institutions. In some cases Virax depends on manufacture of vaccines and other biological material in its own facilities by non-Virax staff. In other cases, the Company is dependent upon third parties. In these circumstances, Virax does not have part or full control and is thus dependent upon others. Further, the approval and conduct of clinical trials depends on collaborators who are prepared and qualified to initiate or undertake trials. While

Virax believes that its partners or collaborators in such activities have a strong motivation to succeed, progress will be, to a significant extent, in the hands of others.

Technological Uncertainty – Virax has a number of developments that may lead to commercial products, including intellectual property being sold. No assurances can be given that the Company's intellectual property, technology or development know-how will give rise to the Company or any licensees of the Company developing a successful commercial product.

Technological Change and Competition - The pharmaceutical and biotechnology industries are characterised by intense competition and rapid and significant technical change. Virax competitors are worldwide and include major pharmaceutical, biopharmaceutical and chemical companies, universities and other research institutions. It is possible that they may pursue similar or different approaches that may be as successful or more successful than the Company's present or future approach or that of the Company's licensees.

Patents and Proprietary Technology – The Company holds but may need to acquire patents and licences to certain patents and other technology. Patents grant an exclusive right for a fixed period of time and though, under certain conditions, it may be possible to obtain a fixed period extension, as time passes the value of the exclusive right diminishes. Different countries or jurisdictions grant varying periods of exclusive patent rights.

Commercialisation - The commercialisation of technology developed by the Company could require the licensing of technology from other entities. Virax cannot give an assurance that such licences will be obtained or, if obtainable, will be on commercially acceptable terms.

Government and Institutional Regulations - The production and marketing of biopharmaceutical products and research and development required in respect of biopharmaceutical products is subject to extensive regulation by governments and institutions both in Australia and overseas. There is no assurance that the necessary permissions, licences or authorisations will be available or continue to be available.

Government Grant Terms and Conditions - The Company has in the past, received grants from the Commonwealth Government under the "Start Grant Scheme". Such grants are subject to terms and conditions. Under certain circumstances the Company could be required to repay part or all of the monies received. In such an event the total amount that could be required to be repaid is \$1,593,850.

Manufacturing and Marketing - Virax does not currently manufacture or market any commercial products. It manufactures material for pre-clinical and clinical trial purposes. It does not possess any facilities for manufacture, other than for trial purposes. The regulatory approval process to permit sale of products may take a number of years and requires substantial financial resources. Further there is no certainty that any product developed could be produced in commercial quantities at reasonable costs or be successfully marketed.

Product and Trial Liability Insurance - The testing and marketing of human health care products entail an inherent risk of allegations of product liability. Virax currently has insurance in respect of its products and current clinical trials. Virax cannot give an assurance that claims will not be directed at Virax, its contractors or partners or that the product liability insurance that Virax has in place will be adequate. Because of the uncertainties associated with the insurance industry Virax cannot give an assurance that such insurance will continue to be attainable or, if it is attainable, will be on acceptable terms.

Director and Officer Liability Insurance - The directors and officers of the Company have agreed to act in their respective capacities on the condition that the Company carries "Director and Officer Liability Insurance". Because of the uncertainties associated with the insurance industry Virax cannot give an assurance that such insurance will continue to be attainable or, if it is attainable, will be on acceptable

terms. In the event that such insurance is not available, the Company may not be able to retain directors or officers and it may not be able to find persons willing to be appointed directors or officers.

Indemnities - The Company is required to indemnify certain individuals and entities in respect to their activities associated with the Company's product development programs. Such indemnities are backed by product and liability insurance. Virax cannot give an assurance that such insurance will continue to be available for current products or trials or future product or trials. Virax cannot give an assurance that claims will not be directed at Virax, its contractors or partners or that the product liability insurance that Virax has in place will be adequate, or can be maintained on acceptable terms. Because of the uncertainties associated with the insurance industry Virax cannot give an assurance that such insurance will continue to be attainable or if it is attainable it will be on acceptable terms.

Litigation - There is always the risk of litigation against a company. The Board has in place procedures and policies to attempt to limit this risk. At the time of this Prospectus, there was no known litigation against Virax, threatened or otherwise.

Additional Financing Requirements - Except as noted below, the Company anticipates that a fully subscribed raising from this Offer together with existing funds and anticipated income will be sufficient to maintain operations under the current business plan for approximately one year. The conduct of Product Development Activity, particularly in respect of VIR201 Phase II Trials, will require additional funding as more fully described in section 3 of this Prospectus. Further financing will be necessary to continue development of Virax' intellectual property assets. Virax may seek to raise finance by a further pro rata issue, a further share placement or through arrangements with other companies or entities. This could have the effect of diluting the equity holdings of existing shareholders.

If this offering is less than fully subscribed, income is less than expected, expenses are greater than estimated or further funding actually received is less than required, Virax may have to seek to raise finance by the sale of some assets. This could have the effect of diminishing the value of the Company.

Under various circumstances the inability to raise adequate further funds may result in the Company, ultimately, having to be put into voluntary administration or liquidation.

Volatility of Share Price - The stock market price of the Company's ordinary Shares has fluctuated significantly in the past two years. It is likely that the listed price of ordinary Shares will fluctuate in the future. Announcements by the Company and others of scientific discoveries, technological innovation, commercial products, negotiations with third parties, patents or regulatory actions may have a significant effect on the market price of Shares. Further, the sale of a substantial number of Shares could depress the market price or, alternatively the purchase of a material number of Shares could increase the market price.

6 Additional Information

6.1 Disclosing Entity

Virax is a disclosing entity for the purposes of the *Corporations Act 2001* and, as such, is subject to regular reporting and disclosure obligations. These obligations include compliance with the requirements of the ASX Listing Rules and the *Corporations Act 2001* concerning notification of information to ASX. Copies of documents lodged at the ASIC in relation to Virax may be obtained from, or inspected at, an office of the ASIC.

6.2 Continuous Disclosure Prospectus

This Prospectus contains information required under the special prospectus content rules for continuously quoted securities pursuant to section 713 of the *Corporations Act 2001*. This section enables disclosing entities to issue a special prospectus in relation to securities in a class of securities that have been quoted by ASX at all times in the 12 months before the issue of the Prospectus.

Apart from formal matters, a continuous disclosure prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on Virax and the rights attaching to the New Shares and Options. Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements applicable to disclosing entities mean that all this information should have previously been released to the market.

6.3 Availability of Documents

Financial documents and announcements referenced in this Prospectus can be found on Virax's website (www.virax.com.au).

Virax will provide a copy of any of the following documents free of charge to any person who requires a copy during the offer period in relation to this Prospectus:-

- The financial statements of Virax for the year ended 30 June 2005 being the last audited financial statements for a financial year lodged in relation to Virax;
- Any announcements made by Virax to ASX up to the date of this Prospectus, and since the date of lodgement of the annual financial statements for the year ended 30 June 2005, being:

Date	Subject
21 Nov 2005	Non Renounceable Rights Issue
21 Nov 2005	VHL Makes \$250,000 in Shares Placement
21 Nov 2005	AGM Results & CEO's Presentation
21 Nov 2005	Chairman's Address at AGM
21 Nov 2005	Appendix 3B – Non Renounceable Rights Issue
18 Nov 2005	Appendix 3B - Placement
25 Oct 2005	Development of VIR201 Remains Top Priority
29 Sept 2005	Annual Report
13 Sept 2005	Full Year Report & Appendix 4E
26 July 2005	Virax Review July 2005

There has been one change to the capital of Virax other than as disclosed in the Annual Report for the year ending 30 June 2005 and as disclosed in an announcement lodged with ASX on 13 September 2005, being a placement of 1,282,050 fully paid ordinary shares at 19.5 cents per share to raise \$250,000 on 21 November 2005.

6.4 Rights and Liabilities attaching to New Shares

The rights and liabilities attaching to the New Shares offered under this Prospectus arise from a combination of Virax's Constitution, statute and general law. The Constitution of Virax may be inspected during normal business hours at the Company's registered office.

A summary of the more significant and relevant rights, liabilities and restrictions attaching to New Shares is set out below. The summary is not exhaustive nor does it constitute a definitive statement of the rights, liabilities and restrictions attaching to Virax's Shares.

The fully paid New Shares, once issued, will have the same rights attaching to them as existing Shares.

The partly paid New Shares will have the same rights attaching to them as existing Shares except they will not be listed on the ASX, the voting and dividend rights are as described below.

Voting at a General Meeting

Subject to any Shares which may in the future be issued with special or preferential rights, every shareholder present in person at a general meeting of Virax or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held and a fraction of a vote for each partly paid Share. Such fraction is determined in accordance with the Constitution.

Meetings of Members

Each shareholder is entitled to receive notice of, attend and vote at meetings of Virax and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the *Corporations Act 2001* and the ASX Listing Rules unless, to the extent permitted by law, the shareholder elects not to receive such notices, accounts or other documents.

Dividends

The directors may from time to time determine dividends to be distributed to shareholders according to their rights and interests. The directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Shares in proportion to the amount of the total issue price paid (but not credited) for the Shares. This is subject to any special or preferential rights attached to any class of shares created after the allotment of the Shares.

It is not currently intended to pay a dividend on Shares in the near future. The directors consider it prudent to reinvest earnings in Virax's business.

Transfer of Shares

Shares in Virax may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules, by any other method of transferring or dealing in Shares introduced by ASX and as otherwise permitted by the *Corporations Act 2001*, by a written instrument of transfer in any usual form or in any other form approved by either the directors or ASX and that is otherwise permitted by the *Corporations Act 2001*. The directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASTC Settlement Rules) where permitted to do so under the ASX Listing Rules or where the shares are restricted securities during an escrow period unless otherwise prohibited by the ASX Listing Rules. If the directors decline to register a transfer, Virax must, within 5 Business Days after the transfer is lodged¹⁹

with Virax, give the party lodging the transfer written notice of the refusal and the reason for refusal. The directors must decline to register a transfer of Shares when required by law, the ASX Listing Rules or the ASTC Settlement Rules.

Issue of Further Shares

The directors may allot, issue, grant options in respect of, or otherwise dispose of, further Shares on such terms and conditions as they see fit. However, the directors must act in accordance with the restrictions imposed by the Constitution, the ASX Listing Rules, the *Corporations Act 2001* and any rights for the time being attached to the Shares in any special class of those shares.

Winding Up

If Virax is wound up, then subject to any special or preferential rights attaching to any class of shares, shareholders will be entitled to participate in any surplus assets of Virax in proportion to the amount of capital paid up on their shares as compared to the total amount of capital paid up on the entire shareholding of Virax, measured as at the time when the winding up begins.

Share Buy Back

Subject to the provisions of the *Corporations Act 2001* and the ASX Listing Rules, Virax may buy back shares in it on terms and at times determined by the directors.

Variation of Class Rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- With the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- With the sanction of a special resolution passed by at least three quarters of those present at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares the rights of which have been varied or abrogated may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or abrogation.

Dividend Reinvestment Plan and Bonus Share Plan

The Constitution authorises the directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by Virax be reinvested by way of subscription for fully paid ordinary Shares in Virax) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the ordinary Shares held by that member and to receive instead some other entitlement including the allotment of fully paid ordinary Shares).

Alteration of Constitution

The Constitution can only be amended by special resolution passed by at least three-quarters of shareholders present and voting at a general meeting of Virax. The Company must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

6.5 **Rights and Liabilities attaching to Options**

The rights and liabilities attaching to the Options offered under this Prospectus are specified in the terms of issue of the Options (a copy of which is attached as Annexure A), the Company's Constitution, statute and general law. The Constitution of the Company may be inspected during normal business hours at the Company's registered office.

Options:

- Do not entitle the holder to dividends or to attend or vote at meetings of the Company; and
- Do not entitle the holder to participate in new issues of Shares, options or other securities, without first exercising the Options.

6.6 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in New Shares. Taxation consequences will depend on individual circumstances. Neither Virax nor any of its officers, employees, agents and advisers accepts any liability or responsibility in respect of the taxation consequences connected with an investment in Shares in Virax or dealing with an entitlement in this Offer.

6.7 Directors' and proposed Directors' ⁽⁴⁾ interests

As at the date of this Prospectus, each of the directors has a relevant interest in Shares and holds options to acquire Shares as set out below:

	Form of Holding	Ordinary Shares	Options	
		Fully Paid	Listed	Unlisted
Dr Thomas W. Quirk	Direct	400,000	-	200,000 ⁽³⁾
	Indirect	402,750	147,500 ⁽¹⁾ 103,088 ⁽²⁾	-
Dr David J Beames	Indirect	1,220,000	130,000 ⁽¹⁾ 18,750 ⁽²⁾	1,000,000 ⁽³⁾
	Direct	-	-	-
Mr John S Chambers	Indirect	135,500	50,000 ⁽¹⁾ 16,250 ⁽²⁾	250,000 ⁽³⁾
	Direct	-	-	-
Mr John Stonier	Indirect	133,000	5,000 ⁽¹⁾ 12,500 ⁽²⁾	-
	Direct	-	-	120,000 ⁽³⁾

- (1) ASX Code VHLO - Each option entitles the holder to acquire one Share at the exercise price of 50 cents and as specified in the terms of issue of the option.
- (2) ASX Code VHLOA - Each option entitles the holder to acquire one Share at the exercise price of 25 cents and as specified in the terms of issue of the option.
- (3) Issued pursuant to the Virax Option Plan and subject to vesting provisions. Each option entitles the holder to acquire one Share at the exercise price specified in the terms of issue of the option.
- (4) As at the date of this Prospectus there are no persons proposed to be directors.

Except as disclosed in this Prospectus, neither Virax nor any director or proposed director has, or has had in the past two years before the date of this Prospectus, any interest:

- in the formation or promotion of Virax ;
- in any property acquired or proposed to be acquired by Virax in connection with this Offer; or
- in this Offer.

No amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any director or proposed director either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him²¹

in connection with the promotion or formation of Virax or in connection with this Offer.

6.8 Options on issue

The total number of listed options and unlisted options is shown below. The options issued pursuant to the Virax Option Plan are unlisted and have been issued to directors, employees and advisers. Such options issued to directors were approved by shareholders and vest quarterly in arrears upon service. Such options issued to employees are subject to vesting conditions which include service and performance conditions. Included in the table below are 45,000 options that were issued but which did not vest because the director resigned.

Options referred to in the following table are options granted by Virax Holdings Limited in respect to the acquisition of unissued Virax Holdings Limited ordinary shares.

Options	Approx. Date Issued	No. Issued	No. Listed	No. Unlisted	Exercise Price ^(a)	Expiry date
Quoted Options:						
ASX code: VHLO	Sep-02	6,879,174			\$0.50	15-Dec-05
ASX code: VHLOA	Aug-03	4,243,875			\$0.25	16-Jan-06
		11,122,049	11,122,049			
Unquoted Options						
	Jan-02	1,095,000			\$0.95	31-Dec-06
	Jul-02	150,000			\$0.95	31-Dec-07
	Aug-02	250,000			\$0.95	31-Dec-07
	Aug-02	110,000			\$0.45	31-Dec-07
	May-03	140,000			\$0.25	31-Dec-07
	Aug-04	168,000			\$0.50	01-Jan-09
	Aug-04	371,250			\$0.50	30-Jun-09
	Nov-04	250,000			\$0.50	31-Dec-09
	Nov-04	250,000			\$0.65	31-Dec-10
	Feb-05	422,500			\$0.65	31-Dec-09
		3,206,750		3,206,750		
Total of All Options Extant at the date of this Prospectus				14,328,799		

(a) *These options are subject to a Condition of Issue similar to the condition shown in Annexure A Conditions of Issue – Options at Rule 5.2. The application of this Condition has reduced the original exercise price to those shown.*

6.9 Remuneration

The Constitution of Virax contains the following provision as to the remuneration of directors.

In accordance with the Constitution, the directors shall be paid out of funds of Virax, by way of remuneration for their services as directors, a sum not exceeding \$200,000 or such larger amount as the Company in general meeting determines by ordinary resolution.

The remuneration of the directors shall not be increased except pursuant to a resolution passed at a general meeting of Virax where notice of the suggested

increase shall have been given to members in the notice convening the meeting.

Such notice referred to above was given and at the Annual General Meeting held on 9 November 2004 and the sum referred to above was increased from \$200,000 to \$400,000.

6.10 Directors' Indemnity

The Company has agreed to indemnify present and former directors of Virax out of the assets of Virax to the relevant extent against any liability incurred by that director in the discharge of the duties of that director to Virax unless the liability arises out of conduct involving fraud or a lack of good faith.

The Company has also agreed to indemnify present and former directors of Virax against any liability for costs and expenses incurred by that director in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the director, or on which the director is acquitted, or in connection with any application in relation to those proceedings in which the court grants relief to that director under the *Corporations Act 2001*.

6.11 Expenses

Virax estimates that the expenses incurred by it to complete the Offer, including fees and commissions payable to brokers and other licensed securities dealers (if any), ASX fees, adviser, legal and accounting fees and registry costs, will amount to approximately \$264,000. This estimate includes the lodgement fee referred to below and other expenses including fees and commissions payable to brokers and other securities dealers which Virax may incur in the placement of any Shortfall.

The Company will pay a brokerage fee of 3.5% on the total amount payable on each Entitlement and Acceptance Form lodged by participating ASX brokers and licensed securities dealers.

6.12 Directors' consents

Each director of Virax has given, and not withdrawn as at the date of this Prospectus, his consent to the lodgement of the Prospectus.

6.13 Consents

The following parties have given and not withdrawn written consents to be named in this Prospectus in the form and context in which they are named:

- Bell Potter Securities Limited (Offer Manager)
- Deacons (Solicitors to the Offer);
- Computershare Investor Services Pty Limited (Registry); and

None of those named parties has authorised or caused the issue of this Prospectus. None of them takes any responsibility for any part of this Prospectus.

Interests of other persons named in this Prospectus as performing a function in a professional, capacity in connection with the preparation or distribution of the Prospectus are as follows:

Deacons, as lawyers to Virax have advised the Company on legal matters in relation to this Offer and have participated in reviewing various drafts of this Prospectus. Deacons do not make or purport to make any statement in this Prospectus. Deacons' fees for work in relation to this Offer up to the date of lodgement of this Prospectus will be approximately \$35,000. Deacons will receive further fees for additional work done determined on the basis of time spent and hourly rates agreed with Virax.

Computershare Investor Services Pty Limited has performed work in its capacity as the Company's share registry in connection to providing data for the distribution of this Prospectus.

Bell Potter Securities Limited has been appointed as the manager of the Offer. The Company will pay Bell Potter Securities Limited a management fee of 2.5% of the total amount of the funds raised under the Offer. The Company will pay a brokerage fee of 3.5% on the total amount payable on each Entitlement and Acceptance Form lodged by participating ASX brokers and licensed securities dealers. Bell Potter Securities Limited may become entitled to brokerage.

Members and staff of the above companies and advisory firms may be Shareholders eligible to participate in the Offer.

The above amounts payable to the Company's legal and financial advisers and share registry are exclusive of any GST, which GST will be paid by Virax.

Except as disclosed in this Prospectus, no adviser to the Offer has, or in the past two years has had, before the date of this Prospectus any interest in:

- the formation or promotion of Virax;
- any property acquired or proposed to be acquired by Virax in connection with this Offer; or
- this Offer.

No amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any adviser for services rendered by him in connection with the promotion or formation of Virax or in connection with this Offer except as disclosed in this Prospectus.

6.14 Documents available for inspection

The following documents are available for inspection without charge during normal business hours at the registered office of:

Virax Holdings Limited

Suite 220, Kew Junction Tower, 89 High Street, Kew, Victoria.

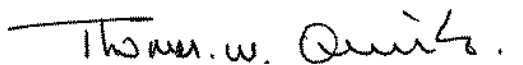
- Constitution of Virax .
- Consents referred to in section 6.13.
- All announcements made by Virax to ASX since the date of lodgement of the financial statements for the year ended 30 June 2005 as detailed in section 6.3.

6.15 Directors' Authorisation

This Prospectus is authorised by each of the directors of Virax.

Signed on behalf of Virax on 25 November 2005, pursuant to a resolution of the Board on 24 November 2005.

Dr Thomas W Quirk
Chairman



7 Definitions

\$	Australian dollars (and references to cents are to Australian cents) unless otherwise indicated
Additional Shares	New Shares issued following an application for Shares in addition to the number shown on a Shareholder's Entitlement and Acceptance Form
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691)
ASX Listing Rules	The official listing rules of ASX
Board or directors	The board of directors of Virax
Business Day	An Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made
Closing Date	21 December 2005 (unless extended)
Constitution	The constitution (articles of association) of Virax as amended from time to time
Entitlement & Acceptance Form or Form	The entitlement and acceptance form that is attached to this Prospectus
Excluded Shareholders	Shareholders of the Company with registered addresses in places outside Australia and New Zealand
GST	Goods and services or similar tax
New Share or New Shares	The Shares to be issued pursuant to this Prospectus at \$0.15 per Share
Non product Development Activity	Those activities not being Product Development Activity the costs of which are classified as salary, administrative and corporate costs
Offer	Offer of New Shares and Options under this Prospectus
Option or Options	The options to be issued pursuant to this Prospectus exercisable at \$0.20 per Share on or before 15 December 2009 for fully paid Shares
Product Development Activity	Those activities associated with the development of products based on the Company's intellectual property.
Prospectus	This prospectus dated 25 November 2005
Partly Paid Shares	New Shares for which the Company has received only part payment pursuant to section 2.2
Record Date	5 December 2005
Shareholder	A person who holds Shares
Shares	Ordinary shares in the capital of Virax

Shortfall or Shortfall Shares

Those New Shares not subscribed for by way of an application pursuant to this Prospectus by 5.00 pm (Melbourne time) on the Closing Date

Virax or Company

Virax Holdings Limited ABN 56 006 569 106

VIR201 Phase II trials

The Phase II clinical trials required to provide further data for commercialisation of the Company's drug (vaccine) known as VIR 201 and its use as an HIV therapeutic.

8 Corporate Directory

Directors of Virax

Dr Thomas William Quirk – Chairman

Dr David John Beames – Chief Executive Officer

Mr John Sydney Chambers – Non-Executive Director

Mr John Stonier – Non-executive Director

Company Secretary

Mr Richard de Lautour

Registered Office

Suite 220,

Kew Junction Tower

89 High Street,

KEW VIC 3101

Telephone: (03) 9854 6230

Facsimile: (03) 9853 5134

www.virax.com.au

Offer Manager

Bell Potter Securities Limited

(Market Participant of the ASX)

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ANNEXURE A

CONDITIONS OF ISSUE – OPTIONS

1 Definitions and Interpretation

1.1 Definitions

In these conditions the following expressions have the following meanings:

“**ASX**” means Australian Stock Exchange Limited.

“**ASX Listing Rules**” means the listing rules of ASX except to the extent of any waiver by ASX of their application to the Company.

“**Bonus Issue**” has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules.

“**Business Day**” has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules.

“**Company**” means Virax Holdings Limited ABN 56 006 569 106.

“**Corporations Act**” means *Corporations Act 2001*.

“**Exercise Notice**” has the meaning given in clause 3.1(a).

“**Exercise Period**” means, in relation to an Option, the period between the date of issue of the Option and 5.00 pm (Melbourne Time) on the Expiry Date.

“**Exercise Price**” means, in relation to an Option, the amount of **20 cents** payable on exercise of an Option.

“**Expiry Date**” means **15 December 2009**.

“**Holder**” means the holder of an Option.

“**Option**” means, at any time, an option to subscribe for 1 Share issued or granted by the Company subject to the conditions specified in this annexure A. It includes any option described in the Prospectus as an “Entitlement Option”, an “Additional Option”, a “Subscription Option or a “Reward Option”.

“**Pro-rata Issue**” has the meaning given to it in Chapter 19 of the ASX Listing Rules.

“**Register**” means the register of Holders of Options referred to in clause 6.1.

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

1.2 Interpretation

In these conditions unless the context otherwise requires:

- (a) **Business Day**. If any day appointed or specified by these conditions for the

payment of any money or the doing of any act or thing falls on a day that is not a Business Day, the day so appointed or specified will be deemed to be the next day which is a Business Day.

- (b) Collective references. Reference to any thing (including any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.
- (c) Defined expressions. If an expression is defined, other parts of speech or grammatical forms of the expression have a corresponding meaning.
- (d) Gender. Words importing any gender include all genders.
- (e) Headings. Headings are for ease of reference only and do not affect the interpretation of these conditions.
- (f) Numbers. Words importing the singular include the plural and vice versa.
- (g) Persons. References to persons include bodies corporate and any other entity.
- (h) Reconstructed bodies. References to a body which has ceased to exist or has been reconstructed, amalgamated, reconstituted or merged, or the functions of which have become exercisable by any other person or body in its place, will be taken to refer to the person or body established or constituted in its place or the person or body by which its functions have become exercisable.
- (i) Representatives and assigns. References to a person include the legal personal representatives, successors and assigns of that person.
- (j) Statutory amendments. A reference to a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them (whether of the same or any other legislative authority having jurisdiction).
- (k) Variation. References to these conditions or an agreement or document include the conditions, agreement or document as varied, changed or replaced from time to time.
- (l) Writing. References to writing include any mode of representing or reproducing words in tangible and permanently visible form.
- (m) Dollars. References to money is to Australian currency.
- (n) No Limitation. References to "including" and similar expressions are not words of limitation.

2 Entitlement on Exercise of Options

- 2.1 Subject to these conditions, each Option entitles the Holder to subscribe for and be allotted one Share upon the exercise of the Option and payment to the Company of the Exercise Price.

3 Exercise of Options

3.1 Exercise Notice

- (a) The Holder may at any time during the Exercise Period give a notice (**Exercise**

Notice) to the Company requiring the Company to issue Shares on exercise of the Options.

- (b) An Exercise Notice must be in writing and must be delivered to the registered office of the Company (or such other place as the Company may notify Holders in writing) together with payment of the Exercise Price for each of the Options exercised.
- (c) The directors of the Company may prescribe the form of an Exercise Notice which must be given by a Holder in order to exercise an Option.

3.2 Issue of Shares

- (a) On exercise of any Options, the Company must allot to the Holder the number of Shares for which the Options are exercised at the Exercise Price.
- (b) The Company must allot the Shares within 10 Business Days of receipt of the Exercise Notice.
- (c) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the Options exercised in cash or cleared funds.

3.3 Uncertificated Holding Statements

- (a) The Company must send to the Holder a holding statement or other statement in respect of the Options so held and any Shares issued on exercise of those Options within the time and in accordance with the applicable provisions of the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company.
- (b) If required by the ASX Listing Rules, the Company must tell the Holder in writing of the Exercise Price and Expiry Date of the Options within the time prescribed by the ASX Listing Rules after the first holding statement or other statement is sent.

3.4 Ranking of Shares Allotted on Exercise

Shares allotted upon exercise of Options will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the constitution of the Company.

3.5 Lapse

- (a) Any Option which has not been exercised by 5.00 pm (Melbourne Time) on the Expiry Date will lapse.
- (b) An Exercise Notice is not effective if it is received by the Company after the expiration of the Exercise Period.

4 Quotation of Shares

If Shares in the Company are quoted on the ASX at the time of exercise of the Options, the Company will make an application to ASX for quotation of the number of Shares as corresponds to the number of Options exercised within 10 Business Days of the allotment of those Shares.

5 New and Pro Rata Issues

5.1 General

- (a) A Holder cannot participate in a new issue of securities in the Company without first exercising the Options. However, the Company will send a notice to each Holder at least 7 Business Days before the record date applicable to that new issue or such other period as required under the ASX Listing Rules giving Holders the opportunity to exercise their Options prior to the date for the determination of entitlements to participate in that new issue.
- (b) Holders who exercise their Options before the applicable record date for the new issue will be entitled to participate in that new issue.
- (c) Except as expressly set out in these conditions, a Holder does not have any right to change the Exercise Price of an Option or the number of Shares over which an Option can be exercised.

5.2 Pro Rata Issues

If the Company offers Shares by way of a Pro-rata Issue (except in the case of a Bonus Issue) to the holders of Shares (whether renounceable or non renounceable), the Exercise Price of an Option will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

5.3 Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company then the number of Shares over which each Option is exercisable will be increased by the number of Shares which the Holder would have received under the Bonus Issue if the Option had been exercised before the record date for the Bonus Issue.

5.4 Reconstructions of Capital

In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, the rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation.

6 Maintenance of Register and Transfers of Options

6.1 Register of Holders of Options

- (a) The Company will keep and maintain, or cause to be kept and maintained, a register of Holders of Options.
- (b) The Company must ensure that the Register is maintained in compliance with the Corporations Act and all other applicable rules and requirements.

6.2 Transfers of Options

- (a) Subject to the constitution of the Company, ASX Listing Rules and ASTC Settlement Rules, all Options are transferable.
- (b) Subject to clause 7.2, the provisions of the constitution of the Company relating to a transfer of Shares apply, with necessary alterations, to a transfer of Options.

7 Miscellaneous

7.1 Severance

- (a) If a provision of these conditions or its application to any person or circumstance is or becomes invalid, illegal or unenforceable then the provision must, as far as possible, be interpreted as narrowly as possible to ensure that it is not illegal, invalid or unenforceable.
- (b) If any provision or part of it cannot be so interpreted, then the provision or its part is taken to be void and severable. The remaining provisions of these conditions are not affected or impaired in any way.

7.2 Holders bound by Constitution

A Holder is bound by the conditions specified in this annexure A and the constitution of the Company insofar as the constitution relates to or governs the Options.

7.3 Waiver and Variation

- (a) Subject to the ASX Listing Rules, ASTC Settlement Rules and the constitution of the Company, the directors of the Company may by resolution:
 - i waive strict compliance with any of these conditions; or
 - ii add to, vary or otherwise change any of these conditions for any reason including to ensure compliance with the ASX Listing Rules either generally in relation to all Holders or as they apply to a particular Holder.
- (b) Any waiver, addition, variation or other change under subclause 7(a) must not be made unless:
 - i any Holder effected by the waiver, addition, variation or other change so consents in writing; or
 - ii the directors of the Company reasonably consider that the waiver, addition, variation or other change is required to ensure compliance with the ASX Listing Rules or any law or requirement binding on the Company or does not adversely affect a Holder's rights under these conditions.

7.4 Notice of Expiry

Before the expiry date of the Options, the Company must send Holders any notices required to be sent to Holders by Appendix 6A.6 of the ASX Listing Rules, unless a waiver is obtained pursuant to the ASX Listing Rules.

7.5 Governing law

- (a) These conditions are governed by the laws of Victoria, Australia.
- (b) Each of the Company and the Holder submits to the exclusive jurisdiction of the courts in and of Victoria in relation to any dispute arising under these conditions.