

VIRAX HOLDINGS LIMITED

Half-Year ended 31 December 2009

Announcement to the Market

				\$A'000
Revenues	Up	24%	to	\$160
Loss after tax for the period attributable to members	Down	12%	to	\$701 (Loss)
Net Loss for the Period attributable to members	Down	12%	to	\$701 (Loss)

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)	(0.53) cents	(0.74) cents
Diluted EPS (Loss)	(0.53) cents	(0.74) cents

NTA per share

	Current period	Previous corresponding period
NTA Per Share	(0.3565) cents	(0.6748) cents

Virax Holdings Limited
ACN 006 569 106

Condensed Financial Report
for the half-year ended 31 December 2009

VIRAX HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors submit their report for the half-year ended 31 December 2009.

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:

Mr. M.J. Humphris	Chairman and Non-executive Director
Mr. I.F. Pyman	Non-executive Director
Dr. A. Ting	Non-executive Director
Mr. J. Morrison	Company Secretary

Registered Office

The address of the registered office in Australia is Suite 220, 89 High Street, Kew Vic 3101.

Telephone (03) 9854 6230, Facsimile (03) 9853 5134, Email virax@virax.com.au, Website virax.com.au.

Securities Record

Registers of listed securities are held at Computershare Registry Services Pty Ltd, 452 Johnson Street, Abbotsford, Vic 3067. Telephone 1300 137 328, Facsimile 1300 137 341.

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), all Options issued (ASX code VHLB)(other than the unlisted options pursuant to the Virax Option Plan) and the Convertible Note maturity date 31 December 2011 (ASX Code VHLG) on the Australian Securities Exchange (Limited).

Major activities of the half-year included:

Virax positioning in new wave of novel therapeutic vaccines

HIV preventative vaccines aim to prevent infection – whereas HIV therapeutic vaccines lower viral load. The hurdles are considerably lower for therapeutic vaccines. VIR201 is a therapeutic vaccine and not a preventative vaccine.

The emerging area in vaccinology is the therapeutic approach. The success of this approach is underpinned by technological advances and increased understanding of the molecular basis of the immune responses needed to treat chronic diseases. Evidence for the new wave of therapeutic vaccines includes:

- While there are currently no therapeutic vaccines licenced by the US FDA, this is likely to change soon due to recent positive Phase III data for the Dendreon Provenge Prostate Cancer Vaccine. This should pave the regulatory path for the registration of other novel therapeutic vaccines, including Virax's VIR201.
- Increasing appetite by large pharmaceutical companies including:
 1. Pfizer's licensing from Celldex of Brain Cancer Vaccine CDX-110 for \$US 40 million in May 2008
 2. Roche's partnership with Transgene for the HPV therapeutic vaccine TG4001 for Euro 23 million
 3. an expected partnering with Transgene for the Non Small Lung Cancer vaccine TG4010 in Q1 2010

Positioning of VIR201 as an HIV Treatment

Current HIV treatments typically use a combination of antiretroviral therapies (ART). These have reduced mortality and morbidity for HIV patients but there are often unwanted side effects. These include acute and chronic toxicities together with the potential emergence of drug resistant viruses.

It is proposed that VIR201 would be used with ART. It is not aimed at replacing ART. VIR201 would be used to delay antiretroviral therapies thereby postponing the unwanted side effects. A secondary application would be to provide the patient with a drug holiday within the ART regime.

VIR201 would have great utility worldwide and would be of utmost importance in the developing world where there are high levels of non-compliance of patients with the rigorous dosing regimes of the ART.

VIR201 has been tested in two Australian Phase I/IIa trials and has shown to be safe and well tolerated with the ability to suppress viral load in patients undergoing antiretroviral treatment. This makes VIR201 one of the most advanced therapeutic vaccines for HIV.

Huge Markets for HIV Therapeutic Vaccines

The market for HIV medications is huge and projected to increase from \$US 9.3 billion in 2007 to \$US 15.1 billion in 2017 (source: Datamonitor). Current HIV treatments are based on the use of combination ART which cost about \$US 15k per annum per patient (source: Clinical Infectious Disease, 2006).

VIR201 – General

Virax continues to make considerable progress in the clinical development of its VIR201 HIV immunotherapeutic product based upon the Company's proprietary Co-X-Gene™ technology.

The potential to suppress viral load observed in the proof-of-concept Australian trials marks VIR201 as one of the most advanced therapeutic vaccines for HIV in clinical testing.

The Company continued to develop VIR201 through a Southern Africa trial. A major aim of the trial is to monitor the magnitude and type of immune response generated upon vaccination of the patient groups with a higher dose of VIR201. In the previous Australian trial we did not measure an immune response that correlated with the very promising ability of VIR201 to suppress viral load.

The Company, with its collaborators lead by Professor Martyn French from Royal Perth Hospital, undertook additional immunological analyses of samples from the Australian trials which detailed the immune system's antibody response to VIR201.

In July 2009 Professor French presented the finding to the International AIDS Society conference in Cape Town, South Africa that identified a novel immune mechanism for the suppression of HIV replication.

VIR201 was shown to induce a particular subtype of antibody response (IgG2) against p24 antigen which is encoded in the vaccine. The magnitude of the IgG2 response correlated with the ability of VIR201 to control the HIV viral load.

The IgG2 antibody levels along with other immune readouts will be monitored in the Southern Africa trial. The demonstration of significant immune response of VIR201 in this trial and identification of an immune readout that correlates with the ability to control viral load will enhance significantly the prospects for the further development and commercialisation of VIR201.

South African Trial of VIR201 - Higher dose in South Africa trial

The Company is developing VIR201 through the South African trial.

The South African trial design differs from the earlier Australian trials as it uses a ten times increased dose of a more highly purified VIR201 vaccine and includes both ART treatment naïve and experienced participants. It is postulated that the more purified and higher dosed vaccine will promote a stronger immune response and have a greater effect on HIV viral load.

A major aim of this trial is to compare the immune responses to VIR201 in both patient populations. The trial data will help identify optimum times and conditions to vaccinate patients. It will also assist future clinical trial design.

Key achievement and dates in the South Africa trial:

- Regulatory approval to commence clinical trial – received 8 August 2008
- First patient vaccinated – December 2008
- Projected completion of recruitment – completed in August 2009
- Positive review of safety data by the Data Safety Monitoring Board (July 2009 and November 2009)
- Report Trial results scheduled mid calendar 2010
- Final Trial Report scheduled Q3 2010

Funding for the South African trial is via contributions from a consortium of global and southern Africa resource companies led by BHP Billiton. The use of non-dilutive funding advances the value of Virax's intellectual property.

As noted above, the trial results are scheduled to be reported around late Q2 or early Q3 in 2010.

Application for Patent

The Company and Professor Martyn French filed for patent in respect to process for the identification of patients most likely to respond to VIR201 based on the mode of action of VIR201. This patent also differentiates VIR201 from other HIV vaccines that have failed which acted purely through T-cells. This patent will significantly extend the period of patent protection for the use of VIR201.

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

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

- *TG4001* - a treatment for pathologies relating to human papilloma virus (HPV) infection; and
- *TG4010* - a treatment for non-small cell lung cancer (NSCLC).

On 11 April 2007, based upon having conducted a further Phase II study with TG4001, Transgene announced a partnering with the Roche Group on TG4001 and partnering payments receivable of €23 million for an upfront payment and a near term milestone. This announcement also stated that Roche may pay Transgene up to an additional €195 million, plus royalties on sales. The Company has received AUD 1.352 million (net) under the sublicense in respect to TG4001. *(The amounts received by the Company noted above are for historic reference only and were not received in the 6 month period ended 31 December 2009.)*

TG4001 has an estimated market potential of €250 million in peak sales (Reuters – July 2009).

TG4010 has a market potential of €1-1.3 billion in peak sales (Transgene Corporate Presentation – Feb 2009).

During the 6 month period to 31 December 2009 Transgene has announced the following achievements of these products:

TG4001

- 2 September 2009 - Transgene announced the launch of the Phase IIb conducted by Roche with the TG4001/R3484 targeted immunotherapeutic product for the treatment of HPV-induced diseases
- 9 October 2009 - The first patient was enrolled in the U.S
- Interim results expected in Q1 2011
- On-Going discussion on Commercial Manufacturing Agreement and overall Manufacturing Plan

TG4010

- Primary endpoints of Phase IIb study of TG4010 for NSLC successfully completed
- Overall survival data demonstrated in Phase IIb study
- Transgene noted ongoing partnership discussions
- Successful completion of Phase IIb studies
- FDA approves pivotal Phase III study design

- 1 December 2009 - announced that the U.S. Food & Drug Administration (FDA) granted Fast Track development designation to its immunotherapy product TG4010 (MVA-MUC1-IL2) for the first-line treatment of advanced non-small cell lung cancer (NSCLC) in combination with chemotherapy

Transgene anticipates that:

- TG4001 Phase IIb study interim results to be completed around Q1 2011
- Initiation of pivotal Phase III trial of TG4010 (Q3 2010)
- TG4010 should achieve partnership status during Q1 2010

A Transgene partnership agreement with TG4010 may trigger milestone payments to Virax under the sub-license. The amount of such payments is dependent upon the type of transaction concluded by Transgene, including the payments therein and the timing of such payments.

VIR501 – Prostate Cancer

Pre-clinical proof of concept testing has been completed in the prostate cancer program and a development candidate has been chosen to advance to Phase I/IIa trials. A master seed virus GMP batch of VIR501 has been manufactured. Commencement of clinical trials is not planned at this time.

General

Strategic Review, Implementation and Partnering

The Company continues to seek partnering opportunities in respect of its technologies. Discussions are continuing with parties.

The Company also continues to engage in discussions with parties in respect to developing a corporate transaction.

Although various discussions have been undertaken with parties, difficulties have been encountered that did not correspond to the interests of Virax shareholders.

Discussions continue with parties, but at this stage are not sufficiently advanced to be considered beyond conceptual.

It is envisaged that a corporate transaction or alternate proposal would require approval by shareholders and may require a noteholder meeting.

Overview of Revenues and Expenses

Revenue for the half-year of \$153,039 (2008: \$128,898): the increase was due to income received for contract services from various local and overseas entities.

Development expenses and Business Development expenses were approximately \$153,021 (2008: \$270,965) and Administrative and Corporate expenses were \$584,700 (2008: \$516,368).

Finance expenses were brought to account on the Convertible notes of \$123,326 (2008: \$139,019) for the half-year period.

During the half-year there were no redundancy costs. (2008: \$149,166).

This reflects the costs savings initiatives and reduced levels of activity.

The loss for the 6 month period was \$700,974 (2008: Loss \$ 797,454).

State of Affairs

Capital Raising – 1 for 5 Rights Offer – December 2009

A 1 for 5 pro rata non renounceable Rights Offer at 5 cents per share was announced on 3 December 2009 seeking to raise approximately \$1,307,000, if fully subscribed. The original closing date of 19 December 2009 was extended to 21 January 2010.

The purpose of the Rights Offer was to provide working capital through to the completion of the South African Clinical Trial of VIR201.

The Rights Offer was supported by Shortfall Placement Agreements totaling \$700,000 (noting one agreement for \$500,000 requiring shareholder approval).

The Rights Offer was well supported by shareholders with applications for 29,430,443 shares amounting to \$1,471,522. Accordingly the Rights Offer was over subscribed. The company issued 26,154,933 New Ordinary shares on 29 January 2010 raising \$1,307,747 before expenses. A scale back of applications for additional shares of 3,275,510 or \$163,775.50 was necessary - refunding relevant shareholders.

Deferred Directors Fees

Subject to shareholder approval, on 17 December 2009 the directors' resolved to settle their deferred remuneration of \$184,845 by issue of 3,696,917 ordinary shares at 5 cents per share (being the same price as New Shares were offered under the 1 for 5 Rights Issue). The approval of shareholders' was obtained on 25 February 2010.

Convertible Notes

A general meeting of Convertible Noteholders was convened for 6 November 2009 to consider the following amendments to the Convertible Notes:

- (1) extend the Conversion Period to 31 December 2011;
- (2) extend the date on which the Company is required to pay the Redemption Price to 31 December 2011;
- (3) increase the Redemption Price from \$0.12 per Convertible Note to \$0.14 per Convertible Note;
- (4) amend the conversion rights of Noteholders in condition 6.3 to provide that Noteholders who convert all or part of their holding of Convertible Notes on or before 18 December 2009 will be entitled to:
 - (a) if the VWASP for the 30 days up to and including the date of a valid Conversion Notice is equal to or greater than 6 cents, 5 ordinary shares for every 2 Convertible Notes converted; or
 - (b) if the VWASP for the 30 days up to and including the date of a valid Conversion Notice is less than 6 cents, a number of shares equal to 15 cents/VWASP, rounded up, per Convertible Note; and
- (5) make any other changes necessary to give effect to the amendments outlined above.

The meeting approved the amendments and a Supplemental Trust Deed was executed on 3 December 2009.

During Special Conversion period to 18 December 2009 there were 5,619,257 notes converted into 14,056,601 ordinary shares.

Another 41,266 notes were converted into 82,532 ordinary shares during the 6 months to 31 December 2009.

As at 31 December 2009, there were 8,012,405 convertible Notes on issue. Refer to "Notes to the Half-Year Financial Statements for the period ended 31 December 2009" – Note 7.

VHL Listed Options ("VHLOB")

As at 1 July 2009 there were 13,474,664 options on issue with an exercise price of 20 cents. During the 6 month period 1,138 options were exercised. On 15 December 2009 the outstanding 13,473,526 options lapsed.

Going Concern

The Condensed Financial Report has been prepared on a going concern basis. The Board has considered factors impacting the Company's going concern status and has determined that this basis is appropriate. Details of matters considered by the Board are set out in "Notes to the Half-Year Financial Statements for the period ended 31 December 2009" - Note 1(b)(ii).

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 18.

Signed in accordance with a resolution of the Directors.



Michael J Humphris
Chairman

25 February 2010
Melbourne

VIRAX HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated	
		31 December 2009 \$	31 December 2008 \$
Revenue	2	160,073	128,898
Research and development expenses		149,007	262,614
Business development		4,014	8,351
Finance costs		123,326	139,019
Administrative expenses	2	584,700	516,368
Loss before income tax expense		(700,974)	(797,454)
Income tax expense		-	-
Net loss for the period		(700,974)	(797,454)
Other comprehensive income		-	-
Other comprehensive income of the period, net of tax		-	-
TOTAL COMPREHENSIVE INCOME attributable to members of Virax Holdings Limited		(700,974)	(797,454)
Basic earnings (loss) per share	3	(0.53) cents	(0.74) cents
Diluted earnings (loss) per share	3	(0.53) cents	(0.74) cents

VIRAX HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

		Consolidated	
		31 December	30 June
		2009	2009
Notes		\$	\$
ASSETS			
Current assets			
	4	539,751	1,070,630
	5	77,082	58,012
		101,220	50,975
		<u>718,053</u>	<u>1,179,617</u>
Non-current assets			
		1,674	2,057
		<u>1,674</u>	<u>2,057</u>
		<u>719,727</u>	<u>1,181,674</u>
LIABILITIES			
Current liabilities			
		336,869	224,934
	6	59,855	52,933
	7	-	1,508,285
		<u>396,724</u>	<u>1,786,152</u>
Non - current liabilities			
	7	840,352	-
		<u>1,237,076</u>	<u>1,786,152</u>
		<u>(517,349)</u>	<u>(604,478)</u>
NET ASSETS			
EQUITY			
	8	33,334,089	32,641,738
	8	95,752	78,527
		287,771	287,771
		(34,234,961)	(33,612,514)
		<u>(517,349)</u>	<u>(604,478)</u>

VIRAX HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	31 December 2009	31 December 2008
Notes	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(713,180)	(1,133,536)
Interest received	5,452	29,934
Receipts from customers	154,621	63,956
Net cash flows from/(used in) operating activities	<u>(553,107)</u>	<u>(1,039,646)</u>
Cash flows from investing activities		
Purchase of plant and equipment	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issues of ordinary shares	22,228	1
Net cash flows from financing activities	<u>22,228</u>	<u>1</u>
Net increase/(decrease) in cash and cash equivalents	(530,879)	(1,039,645)
Cash and cash equivalents at beginning of period	1,070,630	1,631,294
Cash and cash equivalents at end of period	<u><u>539,751</u></u>	<u><u>591,649</u></u>

VIRAX HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(a) Changes in equity for the half-year ended 31 December 2009

Consolidated	Attributable to owners of the parent				Total
	Issued capital	Equity Convertible Notes	Accumulated losses	Share based payments reserve	
	\$	\$	\$	\$	
At 1 July 2009	32,641,738	78,527	(33,612,514)	287,771	(604,478)
Loss for the period	-	-	(700,974)	-	(700,974)
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income for the half-year</i>	-	-	(700,974)	-	(700,974)
<i>Transactions with owners in their capacity as owners</i>					
Equity on convertible note extension	-	95,752	-	-	95,752
Equity on convertible note transfer to accumulated losses	-	(78,527)	78,527	-	-
Shares issue note conversions	670,123	-	-	-	670,123
Share issue (net of costs)	22,000	-	-	-	22,000
Exercise of listed options	228	-	-	-	228
At 31 December 2009	33,334,089	95,752	(34,234,961)	287,771	(517,349)

(b) Changes in equity for the half-year ended 31 December 2008

Consolidated	Attributable to owners of the parent				Total
	Issued capital	Equity Convertible Notes	Accumulated losses	Share based payments reserve	
	\$	\$	\$	\$	
At 1 July 2008	31,973,335	78,527	(32,266,581)	287,771	73,052
Loss for the period	-	-	(797,454)	-	(797,454)
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income for the half-year</i>	-	-	(797,454)	-	(797,454)
<i>Transactions with owners in their capacity as owners</i>					
Exercise of listed options	1	-	-	-	1
At 31 December 2008	31,973,336	78,527	(33,064,035)	287,771	(724,401)

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

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 2009.

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 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

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

For the purposes of preparing the half-year Condensed Financial Report, the half-year was treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

(i) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Virax Holdings Limited (The "Company") and its subsidiaries.

(ii) Inherent uncertainty – going concern

This half-year Condensed Financial Report has been prepared on a going concern basis, which assumes sufficient funding from capital raising, non-equity funding of trials, completion of income generating commercial agreements or, if necessary, reduction in the operations of the Company and of the consolidated entity or action to realise asset value.

Further details of the assumptions used in making this assessment are set out in the following paragraphs.

In common with other biotechnology companies, to allow the Company to execute its near-term and longer-term plans, it will be necessary to raise additional capital in the future.

Having regard to the current market conditions and the Company's financial position, the Directors propose to pursue the following actions:

- continuing in the immediate future to develop a corporate transaction;
- continue to seek collaborative and partnering opportunities (including non-dilutive funding if available) in respect to the Company's assets and capabilities;
- continue to monitor the cash reserves of the company and dependent upon future events which cannot be readily determined at this time, undertake such initiatives as are appropriate for the company to continue to pursue its plans.

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

(b) Significant accounting policies (cont.)

(ii) Inherent uncertainty – going concern (cont.)

These actions will be monitored closely and asset preservation initiatives introduced if suitable progress is not achieved. These strategies may include but are not limited to:

- sale of part or all the Company's assets;
- further restructure of the operations and cost structures although such may be detrimental to the Company; and/or
- consideration of a further capital raising.

The actual strategy and its timing will be determined by the Directors based upon an assessment of the financial and operational circumstances of the Company at the time.

Although not fundamental to the Company's financial and operational circumstances at this time, the Directors anticipate a Transgene S.A. sub-license milestone receipt during the current calendar year.

The Directors cannot be certain of the Company's ability to achieve success in the above outcomes or initiatives, as these activities are dependent on future events. Thus, if these activities do not raise sufficient funds to allow the continuation of current operations, the Company and the consolidated entity will realise the assets of the Company or undertake a redirection of the Company's and consolidated entity's activities.

However, the Directors currently plan to continue the Company's and the consolidated entity's operations on the basis of the matters referred to above, and believe there are reasonable grounds for the Board's assessment that recent fund raising activities and the value of the Group's existing net assets will generate sufficient funds for the Group to continue as a going concern.

In the event that future arrangements are not concluded on a timely basis, there is inherent uncertainty whether the Group will continue as a going concern and, therefore, whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements take no account of the consequences, if any, of the effects of unsuccessful product development or commercialisation, nor of the inability of the Company to continue as a going concern.

Hence, the half-year Condensed Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and consolidated entity not continue as going concerns.

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2. REVENUE AND EXPENSES

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
(a) Revenue		
Interest	5,452	29,934
Services	154,621	98,965
	160,073	128,899
 (b) Administrative expenses		
Corporate and administration	584,317	365,844
Redundancy costs	-	149,166
Depreciation of plant and equipment	383	1,358
	584,700	516,368

3. EARNINGS PER SHARE

The following reflects the income statement and share data used in the calculations of basic and diluted earnings per share.

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
Net Loss attributable to members used in calculating basic and diluted earnings per share	(700,974)	(797,454)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	132,291,585	107,352,943
Adjusted weighted average number of ordinary shares used in calculating dilutive earnings per share:	132,291,585	107,352,943

The effect of dilution, due to outstanding options, is only calculated for those options when the exercise price of such options is below the market price.

3,242,333 (2008: 16,727,750) Share Options were excluded from the calculation of diluted loss per share, which could potentially dilute basic loss per share in the future, as their effect is antidilutive to the periods presented.

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4. CASH AND CASH EQUIVALENTS (CURRENT)

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Cash at bank and in hand	424,751	838,995
Short-term deposits	115,000	231,635
	539,751	1,070,630

The reduction in cash and cash equivalents reflects the payment of the corporate and administrative costs for the half-year period and is prior to the receipt of the proceeds from the equity raising referred to in Note 11.

5. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Receivable	52,844	28,056
Tax refund (GST)	22,415	28,133
Other	1,823	1,823
	77,082	58,012

6. PROVISIONS (CURRENT)

	Consolidated	
	31 December 2009	30 June 2008
	\$	\$
Current		
Employee entitlements - Annual Leave	25,061	20,049
Employee entitlements - Long Service Leave	34,794	32,884
	59,855	52,933

7. CONVERTIBLE NOTES

	Consolidated	
	31 December 2009	30 June 2008
	\$	\$
Current		
Convertible Notes - maturity 31 December 2009	-	1,508,285
TOTAL CURRENT LIABILITY	-	1,508,285
Non Current		
Convertible Notes - maturity 31 December 2011	840,352	-
TOTAL NON CURRENT LIABILITY	840,352	-

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

As at 31 December 2009 there were 8,012,405 unsecured convertible notes on issue.

Each note has a face value of 10 cents per note. The notes were previously redeemable on 31 December 2009 at 12 cents per note however was amended through the Supplemental Trust Deed of 3 December 2009 for outstanding notes to be redeemed on 31 December 2011 at 14 cents per note.

The terms of issue of the Convertible Notes are governed by the Trust Deed of 19 December 2007 and the Supplemental Trust Deed of 3 December 2009, and are summarised as:

- No interest is payable on the Notes;
- The Notes are unsecured;
- Conversion of 1 Note into 2 ordinary shares, save for a special conversion period from 6 November 2009 to 18 December 2009 wherein the conversion ratio was 2.5 times or an equivalent 25% bonus;
- Conversion period from 1 January 2009 to 31 December 2011;
- Redemption of the Notes occurs at 5.00pm on 31 December 2011 (in respect to Notes then on issue) at a 40% premium to their face value (i.e. 14 cents per note);
- Noteholders have no right to vote at general meetings of the Company.

The Trustee for the Convertible Notes is Australian Executor Trustees Limited ACN 007 869 794 – Level 22, 207 Kent Street, Sydney

Voting rights are restricted to those matters that affect the rights of the noteholders.

The fair values and the carrying amount of the Convertible Notes materially equates to its carrying value at 31 December 2009. The fair value of the liability portion of the convertible notes was estimated using an equivalent interest rate for the issue of an instrument with similar terms but without the conversion option. This rate was 14% p.a.

8. CONTRIBUTED EQUITY

Issued and paid up capital - ASX Code VHL	31 December 2009		30 June 2009	
	Number of Securities	\$	Number of Securities	\$
Ordinary shares fully paid	145,119,893	33,334,089	130,602,316	32,641,738
Movements in shares				
Beginning of the financial period	130,602,316	32,641,738		
Issued during the period	378,444	22,228		
Conversion from convertible notes	14,139,133	670,123		
End of financial period	145,119,893	33,334,089		
Convertible Notes - Unsecured - maturity				
31 December 2011 - ASX Code VHLG				
Unsecured convertible notes	8,012,405	174,279	-	-
Movements in notes				
Beginning of the financial period	13,672,928	78,527	14,349,324	78,527
Conversion into ordinary shares	(5,660,523)	-	(676,396)	-
Extension of Notes – 31 December 2009	-	95,752	-	-
Transfer to accumulated losses	-	(78,527)	-	-
End of financial period	8,012,405	95,752	13,672,928	78,527

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	No. of Options	Expiry Date	Exercise Price
Movement in Listed Options			
VHLOB:			
Beginning of the financial period	13,474,667	15 December 2009	\$0.20
- Conversion of options	(1,138)		
- Options Lapsed during the period	<u>(13,473,529)</u>		
End of financial year	<u>-</u>		

Unlisted Options

The following options were outstanding at 31 December 2009

		Number of options	Expiry date	Exercise Price
Employees	Employee Option Plan	250,000	31 December 2010	\$0.65
Employees	Employee Option Plan	991,333	31 December 2011	\$0.17
Unaval Nominees Pty Ltd	Shortfall Placement 12/2009	1,500,000	9 December 2010	\$0.10
Suburban Holdings Pty Ltd	Shortfall Placement 12/2009	<u>500,000</u>	16 December 2010	\$0.10
	Total Unlisted Options	<u>3,241,333</u>		

9. CONTINGENT ASSETS

AusIndustry - Research and Development Concessional Receipt

The Company recognises receipts from the Federal Government AusIndustry Concessional R&D scheme upon receipt. An amount of approximately \$96,000 is forecast for receipt in March 2010.

The Company has the right to be refunded project costs incurred to 31 December 2009 of USD 591,000 in the event there is a surplus at the conclusion of the project.

10. CONTINGENT LIABILITIES

Southern African HIV Therapeutic Vaccine Trial of VIR201

The Company has developed the formation of an independent Public Benefits Organisation to fund the undertaking of a clinical trial of VIR 201 in Southern Africa.

The Company has underwritten the budget for the completion of the trial. As at 31 December 2009, the project is within budget.

Employment Contract Termination Details

The Company's two executives each have termination clauses in their contracts, which if crystallised would amount to an obligation of approximately \$350,000 in total.

Inherent uncertainty – going concern and consequential contingent liability

In the Note to the Accounts 1(b)(ii) reference is made to the consequences of funding being unattainable and a scaling back of activities or redirection of the Company. A reduction in the Company's general operations may crystallise liabilities (principally to employees and landlords) of up to an estimated \$400,000.

VIRAX HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

11. EVENTS AFTER THE BALANCE SHEET DATE

1 for 5 Rights Issue – December 2009

A 1 for 5 pro rata non renounceable Rights Offer at 5 cents per share was announced on 3 December 2009 seeking to raise approximately \$1,307,000, if fully subscribed. The original closing date of 19 December 2009 was extended to 21 January 2010.

The purpose of the Rights Offer was to provide working capital through to the completion of the South African Clinical Trial of VIR201.

The Rights Offer was supported by Shortfall Placement Agreements totaling \$700,000 (noting one agreement for \$500,000 requiring shareholder approval).

The Rights Offer was well supported by shareholders with applications for 29,430,443 shares amounting to \$1,471,522. Accordingly the Rights Offer was over subscribed. The company issued 26,154,933 New Ordinary shares on 29 January 2010 raising \$1,307,747 before expenses. A scale back of applications for additional shares of 3,275,510 or \$163,775.50 was necessary - refunding relevant shareholders.

Deferred Directors Fees

Subject to shareholder approval, on 17 December 2009 the directors' resolved to settle their deferred remuneration of \$184,845 by issue of 3,696,917 ordinary shares at 5 cents per share (being the same price as New Shares were offered under the 1 for 5 Rights Issue). The approval of shareholders' was obtained on 25 February 2010.

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 chief operating decision maker) are those applicable to the Group.

13. CORPORATE INFORMATION

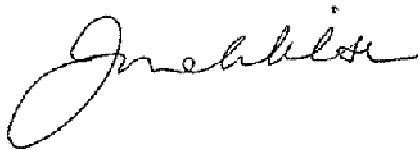
Domicile:	Suite 220, 89 High Street, Kew, Victoria, Australia
Legal Form:	Incorporated public company, limited by shares
Country of Incorporation:	Australia
Number of Full Time Equivalents at the date of this Report:	3 (not including 3 non-executive Directors)
Company's Website:	www.virax.com.au
Company Email:	virax@virax.com.au

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 2009, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'June Wilson'.

June Wilson
Partner
26 February 2010

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:
 - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity, 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



Michael J Humphris
Chairman

25 February 2010
Melbourne

To the members of Virax Holdings Limited

Report on the condensed half-year financial report

We have reviewed the accompanying half-year financial report of Virax Holdings Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 2009 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.

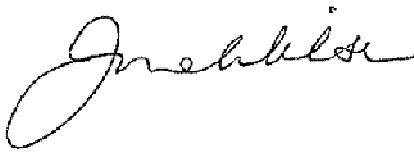
Conclusion

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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'June Wilson'.

June Wilson
Partner
Melbourne
26 February 2010

**Summary of Issued Securities
as at 31 December 2009**

The following information does not form part of this Condensed Financial Report
and is provided for the convenience of shareholders and investors

Note: This information has not been subject to review by Ernst & Young

Shares	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary Shares at 1 July 2009	130,602,316	130,602,316		
Changes during current period:				
Issued during the period	377,306		0.0583c	0.0583c
Increases through issues conversions of Convertible Note	14,139,133		0.06c	0.06c
Increases through issues conversions of Options VHLOB Fully Paid	1,138		0.20c	0.20c
Ordinary securities at 31 December 2009	145,119,893	145,119,893		

Options	Approx Date Issued		No. Quoted	Exercise price	Expiry date
Quoted Options: ASX code: VHLOB					
Outstanding at 1 July 2009		13,474,664	13,474,664		
Converted during the period		(1,138)	(1,138)	\$0.20	
Lapsed during the period		(13,473,526)	(13,473,526)	\$0.20	15-Dec-09
Outstanding at 31 December 2009		-	-	\$0.20	
Unquoted Options					
Outstanding at 1 July 2009:					
	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
	Nov-05	250,000		\$0.17	31-Dec-11
	Dec-05	641,333		\$0.17	31-Dec-11
	Jan-06	100,000		\$0.17	31-Dec-11
	Nov-06	800,000		\$0.25	31-Dec-09
	Dec-09	1,500,000		\$0.10	9-Dec-10
	Dec-09	500,000		\$0.10	16-Dec-10
		4,713,833			
Lapsed during the period	Nov-04	(250,000)		\$0.50	31-Dec-09
	Feb-05	(422,500)		\$0.65	31-Dec-09
	Nov-06	(800,000)		\$0.25	31-Dec-09
		(1,472,500)			
		3,241,333	3,241,333		
Total of All Options Extant at 31 December 2009			3,241,333	-	

Convertible Notes	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Convertible Notes at 1 July 2009	13,672,928	13,672,928	0.10c	0.10c
Changes during current period:				
Converted during the period	Dec-09 (5,660,523)	(5,660,523)		
Convertible Note at 31 December 2009	8,012,405	8,012,405		