



ASX Announcement (264)
19 September 2007

VIRAX ANNOUNCES GRANT OF KEY VIR201 PATENT IN EUROPE.

Highlights:

- **Further Patent Protection for VIR201 HIV/AIDS Therapy to 2019**
- **Notice of Intention to Grant received for key VIR201 patent**
- **HIV/AIDS anti-retroviral therapy market is estimated to be US\$10.6 billion by 2015**

Melbourne, Australia, 19 September 2007 – Virax Holdings Limited (ASX: VHL) announces that it has secured important additional patent protection for its HIV/AIDS product VIR201.

The Company has received notice of “Intention to Grant” from the European Patent Office for its Patent Application Number 99 957 232.4, “Avipox Vector Coding an HIV Antigen and Gamma-interferon” which is the key VIR201 patent.

The patent extends by 12 years the period of exclusivity for VIR201 until 2019 in the European markets and provides the potential opportunity for a substantial increase in revenue. Europe is a major market for HIV/AIDS treatments. Worldwide sales of HIV/AIDS therapeutics were US\$7.1 billion in 2005 and are expected to reach US\$10.6 billion by 2015 (Datamonitor Report, April 2007).

Virax is developing VIR201 as a therapeutic vaccine for the treatment of HIV/AIDS. The therapeutic vaccine approach of stimulating the immune system is in contrast with the existing anti-retroviral treatments that directly target the infecting HIV virus.

VIR201 has been protected by the Virax Co-X-Gene™ technology patents in all major markets including the USA. The granting of this “composition of matter” patent not only provides additional patent protection for VIR201 but more importantly, significantly extends the period of protection for VIR201.

The Company announced on 10 July the allowance of an analogous patent application by the US Patent and Trademarks Office. This patent will provide a similar expansion of protection for VIR201 in the important US market until 2019.

VIR201 is a biological drug and intellectual property (IP) and “know how” used in its manufacture is owned by Virax. This “process IP” provides yet further protection against potential competition when product patents expire.

Background –Intellectual Property - Product Protection

A valid patent provides legal protection to the owners or licencees of the intellectual property for the life of the patent. It affords the company a period of exclusivity during which it can seek to recover the considerable investment required to discover and develop a new product.

Virax products are already protected by the patented Co-X-Gene™ technology licensed from ANU and CSIRO. The Company sometimes refers to these as its “umbrella” patents because of their broad scope.

A further barrier of protection can be provided if a patent describing the precise composition of the drug or medicine can be secured. The protection afforded by these so-called “composition of matter” patents is often narrower but can extend the duration of any pre-existing protection as well as reinforce it.

Drugs that are biological in nature (rather than chemical or “small molecule”) can use additional levels of protection. The specifics of the manufacturing and purification processes for a biological drug are often unique and are an inseparable part of the final product particularly from a regulatory and safety viewpoint. These process details (“process IP”) may be protected by patents or remain trade secrets (or both in some instances) and can provide the biological drug with additional protection against potential competition even after product patents expire.

This “process IP” may be the only protection available in many countries of the developing world where patents are unobtainable or not adequately enforced. The concentration of the HIV/AIDS epidemic in the developing world means this is an important protection to have available

Background –Intellectual Property – Additional Source of Value

In some circumstances a company’s IP can not only provide protection for the development products in its product pipeline but also generate additional value via revenues from sub-licences to other companies by enabling them to develop their specific products.

This sub-licensing can provide timely and valuable funding sources where the sub-licencees products are at a more advanced stage of development than those of the licensor. The sub-licence granted by Virax to Transgene (ASX Announcement No 253, 13 March 2007) is an excellent example of this mechanism at work.

In March 2007 Transgene executed a Licence Agreement with the Company for access to Co-X-Gene™ for use in two of Transgene’s immunotherapeutic products TG4001 (MVA-HPV-IL2)(Human Papilloma virus) and TG4010 (MVA-MUC1-IL2)(non small cell lung cancer).

The Licence Agreement with Transgene provides Virax with a share of the milestone payments received by Transgene as well as a royalty on sales of the products in North America.

On 11 April 2007 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.

In a presentation dated March 2007, Transgene indicated it expected the TG 4010 Phase II interim trial results of Q4 2007 to “form the basis for partnering discussions for advanced development and commercialization of TG 4010 expected to materialize mid-08”

In January 2006, Bryan Garnier & Co Ltd (Manager of a public offering by Transgene) estimated a peak annual market for TG4001 to be €250 million and for TG4010 to be €750 million. High value bio-pharmaceuticals can be expected to generate more than 50% of their revenue from the North American market.

Various methodologies are employed in the biotechnology field to assess the prospective value of products and licences. The resultant prospective values are often referred to as “bio-dollars”.

These methodologies have been applied to the assessment of value of the Company’s licence resulting in a range of Net Present Values in “bio-dollars” of between USD16-20 million.

It should be noted that “bio-dollars” do not necessarily translate into cash due to the inclusion of a range of assumptions and probabilities in the valuation methodologies. The purpose is to provide an indication of potential prospective value for assets.

During the Financial Year 2006/7 the Company received licence fees and recognised its entitlement to receive two milestone payments in respect to TG4001, with a net \$1.5 million (after Head Licensing costs) benefit to the Company

About Virax

Virax, based in Melbourne, Australia, is a biopharmaceutical company engaged in the discovery and development of novel immunotherapeutic products for the treatment of cancer, and chronic infectious diseases. The Company's lead product, VIR201, an HIV/AIDS immunotherapeutic (therapeutic vaccine), recently cleared by the U.S. FDA to begin Phase II trials, has completed two successful clinical trials in Australia with additional, international studies planned. The Company has also submitted an application to the South African regulatory authority (MCC) to conduct a Phase I/IIa trial of VIR201. Funding for the African trial has been contributed by a consortium of global and South African resource companies led by BHP Billiton.

Virax's second product in development, VIR501, is an immunotherapeutic for the treatment of late stage hormone refractory prostate cancer. The Company commenced GMP production and is intending to commence Phase I/II trials in Australia in late 2008 subject to available funding. The Company has licensed its Co-X-Gene™ technology to Transgene S.A. of Strasbourg, France for use in the USA and Canada for its immunotherapeutic products-TG 4001 and TG 4010.

Virax continues to work with its International Biosciences Investment Bank on financial and strategic matters to develop potential partnering arrangements and financing options.

Additional information about Virax is available at www.virax.com.au

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