ASX Release

Court approves convening of scheme meeting

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20 April 2018, Sydney, Australia: Viralytics Limited (ASX:VLA) (**Viralytics**) advises that the Federal Court of Australia today made orders convening a meeting of Viralytics shareholders on Monday, 28 May 2018 (**Scheme Meeting**) to consider and vote on the previously announced Scheme of Arrangement (**Scheme**) under which Merck Sharp & Dohme (Holdings) Pty Ltd (**MSD**) proposes to acquire 100% of the ordinary shares in Viralytics.

The Scheme Booklet has also today been registered with the Australian Securities and Investments Commission.

If the Scheme is approved by the requisite majority of Viralytics shareholders and all other conditions precedent are satisfied or waived (where capable of waiver), each Viralytics shareholder will receive $1.75 cash per Viralytics share held.

A copy of the Scheme Booklet, including the Independent Expert's Report and notice of scheme meeting lodged with ASIC, is attached with this announcement. Viralytics shareholders will receive a copy of the Scheme Booklet, notice of meeting and proxy form in the coming days. Shareholders are encouraged to read the document in its entirety.

Scheme meeting

The Scheme requires approval of Viralytics' shareholders and will be considered at the Scheme Meeting to be held at 2.00pm (Sydney time) on Monday, 28 May 2018, at Warrane Theatre, Museum of Sydney, Corner Phillip and Bridge Streets, Sydney, New South Wales 2000.

All shareholders are encouraged to vote by attending the Scheme Meeting or by lodging a proxy vote by 2.00pm (Sydney time) on Saturday, 26 May 2018. Details of how to lodge a proxy vote will be included in the Scheme Booklet sent to Viralytics shareholders.

About Viralytics Ltd

Viralytics is developing oncolytic immunotherapy treatments for a range of cancers. The company's lead investigational product, CAVATAK®, is currently being studied in clinical trials for the treatment of melanoma, as well as bladder and lung cancers. CAVATAK is a proprietary formulation of the common cold Coxsackievirus Type A21 (CVA21) that preferentially binds to specific 'receptor' proteins highly expressed on multiple cancer types. CAVATAK acts to kill both local and metastatic cancer cells through cell lysis and the potential generation of an immune response against the cancer cells – a two-pronged mechanism of action known as oncolytic immunotherapy.

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www.viralytics.com

Based in Sydney Australia, the company is listed on the Australian Securities Exchange (ASX: VLA) while Viralytics' ADRs also trade under VRACY on the US OTCQX International market. For more information, please visit www.viralytics.com.

Enquiries:

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Scheme Booklet

Viralytics Limited

ACN 010 657 351

For the acquisition by Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 (**MSD**) of 100% of the shares in Viralytics Limited ACN 010 657 351 (**Viralytics**) by way of scheme of arrangement between Viralytics and Viralytics Shareholders

The Directors unanimously recommend that, in the absence of a Superior Proposal, Viralytics Shareholders vote in favour of the Scheme.

The Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders.

Your vote is important to determine if the Scheme proceeds.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are not sure what to do, you should consult your investment or other professional adviser.

Financial adviser
Lazard

Legal adviser
McCullough Robertson Lawyers

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Key dates for Viralytics Shareholders

Event	Date[†]
Last date and time to lodge proxies for Scheme Meeting	Saturday, 26 May 2018 at 2.00pm
Date and time for deciding eligibility to vote at Scheme Meeting	Saturday, 26 May 2018 at 7.00pm
Scheme Meeting (Viralytics Shareholders) [††]	Monday, 28 May 2018
If the Scheme is approved by Viralytics Shareholders	
Second Court Date (Federal Court, Sydney)	Monday, 4 June 2018
Effective Date[†††]	Tuesday, 5 June 2018
Record Date[††††]	Tuesday, 13 June 2018
Implementation Date[†††††]	Tuesday, 20 June 2018

[†] All times referred to in this Scheme Booklet are New South Wales times unless otherwise stated.

[††] All dates following the Scheme Meeting are indicative only and are subject to change.

[†††] Transfers of Viralytics Shares are not registered after this date.

[††††] Viralytics Shareholders on the register at 5.00pm on this date are entitled to the Scheme Consideration.

[†††††] Payment of Scheme Consideration to Viralytics Shareholders and transfer of Viralytics Shares to MSD.

Important notices

This Scheme Booklet

This Scheme Booklet is the explanatory statement required to be given to Viralytics Shareholders under section 411(1) Corporations Act. You should read this Scheme Booklet in its entirety before deciding how to vote on the resolution to be considered at the Scheme Meeting. This Scheme Booklet does not take into account the individual investment objectives, financial situation and particular needs of each Viralytics Shareholder. You should seek independent legal, financial, taxation, or other professional advice before deciding whether or not to vote in favour of the Scheme.

Capitalised terms used in this Scheme Booklet are defined in the glossary in section 10.

Responsibility for information

The Viralytics Information has been given by, and is the responsibility of, Viralytics. MSD, MSD's advisers and Viralytics' advisers do not assume any responsibility for the accuracy or completeness of the Viralytics Information.

The MSD Information has been given by, and is the responsibility of, MSD. Viralytics, MSD's advisers and Viralytics' advisers do not assume any responsibility for the accuracy or completeness of the MSD Information.

The Independent Expert has prepared the Independent Expert's Report at Annexure A. None of Viralytics, MSD or their advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report. However, Viralytics has given factual information that the Independent Expert has relied on in preparing the Independent Expert's Report. The accuracy and completeness of that information is the responsibility of Viralytics.

ASIC and ASX

A copy of this Scheme Booklet has been given to ASIC under section 411(2) Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has examined a copy of this Scheme Booklet. Viralytics has requested that ASIC give a statement under section 411(17)(b) Corporations Act confirming that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under section 411(1) Corporations Act

At the first court hearing on 20 April 2018, the Court ordered Viralytics to convene the Scheme Meeting to consider and vote on the Scheme. The notice convening the Scheme Meeting is at Annexure E of this Scheme Booklet. The fact that the Court has ordered the Scheme Meeting to be convened is no indication that the Court has:

(a) formed a view about the merits of the proposed Scheme or about how the Viralytics Shareholders should vote (on this matter the Viralytics Shareholders must reach their own decision); or

(b) prepared, or is responsible for, the content of this Scheme Booklet, which forms the explanatory statement attached to the Notice of Scheme Meeting.

The Court's order for the convening of the Scheme Meeting is not an endorsement by the Court of the Scheme. On these matters the Viralytics Shareholders must reach their own decision.

Disclosure about forward looking statements

Certain statements in this Scheme Booklet relate to the future. Those statements may not be based on historical facts. They may reflect the current expectations of Viralytics or, for the MSD Information, MSD, about future events or results. Those statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual events or results to differ materially from the statements. Deviations about future conduct, results, performance and achievements are both normal and expected.

None of Viralytics, MSD, their respective directors, officers or advisers, or any other person gives any representation, assurance or guarantee that the events or outcomes expressed or implied in any forward looking statement in this document will actually happen. You are cautioned against relying on any of those statements.

You should carefully review the information in this Scheme Booklet. Section 2 sets out reasons to vote in favour and reasons not to vote in favour of the Scheme.

All subsequent written and oral forward looking statements attributable to Viralytics or MSD or any person acting on their behalf are qualified by this cautionary statement.

The forward looking statements included in this Scheme Booklet are made at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules (if applicable) or the Corporations Act, Viralytics and MSD do not give any undertaking to update or revise those statements after the date of this Scheme Booklet to reflect any change in expectations about those statements or any change in events, conditions or circumstances on which any of those statements are based.

Privacy and personal information

Viralytics will need to collect personal information for the Scheme. The personal information may include the names, contact details, details of shareholdings of Viralytics Shareholders and contact details of persons appointed by Viralytics Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act. Viralytics Shareholders who are individuals, and other individuals whose personal information is collected, have rights to access the personal information collected about them and

can contact Viralytics' information line by calling +61 1300 553 490 if they wish to access that information.

The information may be disclosed to print and mail service providers, and to MSD, its Related Entities and their advisers for the Scheme. If this information is not collected, Viralytics may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme. Viralytics Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting must inform that individual of these matters.

Date

This Scheme Booklet is dated 20 April 2018.

Queries

If you have any questions or require any further information, you can call Viralytics' information line, on +61 1300 553 490 (between 9:00am and 5:00pm on weekdays).

Letter from the Chairman and Managing Director of Viralytics

20 April 2018

Dear Shareholder

On 21 February 2018, Viralytics and Merck & Co., Inc. (**MSD Parent**) announced that they had agreed terms on which Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 (**MSD**) would acquire all of the Viralytics Shares under a scheme of arrangement, subject to a number of conditions precedent, including regulatory, Court and Viralytics Shareholder approval (**Scheme**). The Scheme values Viralytics Shares (in aggregate) at $502.4 million.

The Scheme

On implementation of the Scheme, each Viralytics Shareholder holding Viralytics Shares on the Record Date (**Scheme Shareholders**) will receive $1.75 cash for every Viralytics Share held (**Scheme Consideration**).

Other information about the Scheme

The Scheme is subject to a number of conditions precedent, including regulatory, Court, and Viralytics Shareholder approval. Further details of the Scheme, the calculations of the Scheme Consideration and the conditions precedent are set out in section 8.2 of this Scheme Booklet.

MSD is an Australian registered company, which is the wholly-owned subsidiary of MSD Parent, a NYSE listed global health care company that delivers innovative health solutions through its human health prescription medicines, vaccines, biologic therapies and animal health medicines and vaccines. MSD Parent's operations are principally managed on a products basis and include four operating segments, which are the pharmaceutical, animal health, healthcare services and alliances segments. It is one of the largest pharmaceutical companies in the world. Further details on MSD and MSD Parent are set out in section 5 of this Scheme Booklet.

It is extremely important that you vote at the Scheme Meeting to be held on Monday, 28 May 2018 as the Scheme must be approved by a majority in number (i.e. more than 50%) of Viralytics Shareholders, present and voting (in person or by proxy) who hold at least 75% of the votes cast at the Scheme Meeting.

The Scheme of Arrangement and Deed Poll are attached for your consideration.

Directors' unanimous recommendation and vote

The Directors unanimously recommend that Viralytics Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal. Directors who hold Viralytics Shares intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal.

The interests of Directors (including their ongoing involvement with Viralytics) are set out in section 9.1 of this Scheme Booklet.

In considering their response to the Scheme, the Directors have carefully considered Viralytics' future growth opportunities, its challenges, risks and the uncertainties of delivering value to Viralytics Shareholders superior to the Scheme Consideration.

The Directors appointed an independent expert, Deloitte Corporate Finance Pty Limited (**Independent Expert**), to consider the Scheme. Based on the recommendation of the Independent Expert and the other matters set out in section 2 of this Scheme Booklet, the Directors unanimously recommend that Viralytics Shareholders vote in favour of the Scheme.

Under the terms of the Scheme, Viralytics Shareholders will receive $1.75 for each Viralytics Share held by them, representing a premium of 160% to the 1-month VWAP of Viralytics Shares prior to the announcement of the Scheme on 21 February 2018.

The Scheme, if implemented, offers timely and certain value realisation for Viralytics Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders. A copy of their full report is at Annexure A.

The Scheme, if implemented, will allow Viralytics Shareholders to realise their investment in Viralytics in cash.

While the Directors recommend that you vote in favour of the Scheme and the Independent Expert considers the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders, Viralytics Shareholders are not obliged to follow the Directors' recommendation or agree with the Independent Expert's conclusions. Factors that may lead you to vote against the Scheme include that you may not agree the Scheme is in the interests of Viralytics Shareholders, the potential for a Superior Proposal, and Viralytics' potential future growth.

The Directors believe the reasons to support the Scheme outweigh the reasons not to support the Scheme. Therefore, the Directors recommend that you vote in favour of the resolution to be considered at the Scheme Meeting, in the absence of a Superior Proposal. The Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal.

Viralytics' largest shareholder, Lepu Medical Group, which currently holds voting power in 13% of Viralytics' shares, has informed Viralytics that it intends to vote the shares it holds at the time of the Scheme meeting in favour of the Scheme, in the absence of a Superior Proposal and subject to the Viralytics Directors maintaining their recommendation to vote in favour of the Scheme.

Information about the steps necessary to implement the Scheme is set out in section 7 of the Scheme Booklet.

Action you should take

This Scheme Booklet gives details of the Scheme, the Independent Expert's Report, reasons for voting in favour of or against the Scheme, and information on how to vote. Please read the Scheme Booklet in full before making your decision about the Scheme.

I encourage you to vote by attending the Scheme Meeting or, if you are unable to attend, completing and returning the relevant proxy form accompanying this Scheme Booklet.

If you are not sure what to do, you should consult your investment or other professional adviser.

If you have any questions, you can contact Viralytics' company secretary, Sarah Prince, by phone on +61 2 9375 7974 (between 9:00am and 5:00pm on weekdays) or by email to prince@companymatters.com.au.

Yours faithfully

Paul Hopper
Chairman

Malcolm McColl
Managing Director

Overview of Scheme

The Scheme	On 21 February 2018, Viralytics announced the Scheme, by which MSD will acquire all of the Viralytics Shares for the Scheme Consideration, valuing Viralytics shares at $502.4 million.
Scheme Meeting	A Scheme Meeting will be held for the Viralytics Shareholders to approve the Scheme at 2.00pm (Sydney time) on Monday, 28 May 2018 at the Museum of Sydney, Warrane Theatre, Corner of Bridge and Phillip Streets, Sydney, NSW 2000.
Scheme Consideration	If the Scheme is approved, Viralytics Shareholders will receive $1.75 cash for every Viralytics Share that they hold at the Record Date.
Directors' recommendation and vote	**The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.** Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal. The interests of Directors are set out in section 9.1 of this Scheme Booklet.
Independent Expert's conclusion	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders. The Independent Expert's Report is at Annexure A.

Why have the Directors recommended the Scheme

You should read this Scheme Booklet in full before deciding how to vote. Section 2 of this Scheme Booklet contains a more detailed assessment of the matters which your Directors consider to be important.

Reasons to support the Scheme

1 The Directors unanimously recommend that Viralytics Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal. The Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal.

2 The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders.

3 The value of the Scheme Consideration of $1.75 per Viralytics Share represents a substantial premium of 160% to the 1-month VWAP of Viralytics Shares to 21 February 2018.

4 The Scheme provides a high degree of certainty of value and timing, through cash consideration, for Viralytics Shareholders in relation to realising value for your shareholding compared with the medium term value prospects of Viralytics Shares in their current form.

5 At the date of this Scheme Booklet, the Board has not received a Superior Proposal and the Board considers it unlikely that a Superior Proposal will emerge.

6 Viralytics' share price is likely to trade at a significant discount to the Scheme Consideration if the Scheme is not implemented.

7 If the Scheme does not proceed, and no Superior Proposal emerges, Viralytics Shareholders will be subject to the specific risks associated with Viralytics' business and the risks inherent in the biotechnology and pharmaceutical industry.

Reasons not to support the Scheme

1 You may disagree with the Directors and Independent Expert, and believe that the Scheme is not fair and reasonable and therefore not in the best interests of Viralytics Shareholders.

2 You may consider that a Superior Proposal may be made.

3 You may believe that the Scheme Consideration does not adequately reflect Viralytics' value.

4 You may not want to trigger the tax consequences or implications of transferring your Viralytics Shares.

5 You will not be able to participate in any potential future upside that may result from being a Viralytics shareholder.

The Directors believe the reasons to support the Scheme outweigh the reasons not to support the Scheme. Therefore, the Directors recommend that you vote in favour of the resolution to be considered at the Scheme Meeting, in the absence of a Superior Proposal.

If you have any questions, you can call Viralytics' information line, on +61 1300 553 490 (between 9:00am and 5:00pm on weekdays).

Answers to key questions

About the Scheme	
What will I receive if the Scheme is implemented?	You will be entitled to the Scheme Consideration on the Implementation Date if you are a Viralytics Shareholder on the Record Date.
What is the Scheme Consideration?	The Scheme Consideration is $1.75 cash for each Viralytics Share held at the Record Date.
When will I receive my Scheme Consideration?	If the Scheme is implemented, MSD will pay the Scheme Consideration to the Scheme Consideration Trust Account (to be held by Viralytics as trustee) on the Implementation Date, to be paid out to each Scheme Shareholder in proportion to the number of Scheme Shares held on the Record Date.
Who is MSD and MSD Parent?	MSD is an Australian registered company, which is the wholly-owned subsidiary of MSD Parent, a NYSE listed global health care company that delivers innovative health solutions through its human health prescription medicines, vaccines, biologic therapies and animal health medicines and vaccines. MSD Parent's operations are principally managed on a products basis and include four operating segments, which are the pharmaceutical, animal health, healthcare services and alliances segments. Section 5 contains further information about MSD and MSD Parent.
Are there any conditions precedent?	There are a number of conditions precedent to the implementation of the Scheme. These are set out in section 8.2 of this Scheme Booklet.
What are the tax consequences?	You may be liable for CGT on the transfer of your Viralytics Shares under the Scheme. Further details of the general tax consequences of the Scheme are set out in section 6 of this Scheme Booklet. You should seek your own professional advice for your individual tax issues.
What is the premium to the Viralytics Share price leading up to the announcement?	The value of the Scheme Consideration of $1.75 per Viralytics Share represents a substantial premium of 160% to the 1-month VWAP of Viralytics Shares to 21 February 2018.
What do the Directors recommend?	The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. The Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal. The interests of Directors are set out in section 9.1 of this Scheme Booklet.
How will Viralytics' largest shareholder vote?	Viralytics' largest shareholder, Lepu Medical Group, which currently holds voting power in 13 percent of Viralytics' shares, has informed Viralytics that it intends to vote the shares it holds at the time of the Scheme meeting in favour of the Scheme, in the absence of a superior proposal and subject to the Viralytics directors maintaining their recommendation to vote in favour of the Scheme.
What did the Independent Expert conclude?	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders. The Independent Expert's Report is at Annexure A.

Can I vote?	All Viralytics Shareholders who are the registered holders of Viralytics Shares at 7.00pm (Sydney time) on 26 May 2018 are entitled to vote at the Scheme Meeting.
What voting majorities are required to approve the Scheme?	The Scheme must be approved at the Scheme Meeting by: (a) a majority in number (i.e. more than 50%) of Viralytics Shareholders who are present and voting at the Scheme Meeting (in person or by proxy); and (b) persons who hold at least 75% of the votes that are cast at the Scheme Meeting.
Should I vote?	You do not have to vote, however, if you do not vote, it may be possible that the requisite majority of Viralytics Shareholders required to approve the Scheme at the Scheme Meeting may not be achieved and the Scheme will not proceed. Further, the Directors believe that the Scheme is an opportunity to realise the value of your Viralytics Shares. The Directors recommend that you read this Scheme Booklet carefully and vote in favour of the Scheme, in the absence of a Superior Proposal. See the 'How to Vote' section on page 10 for details on how to vote in person and by proxy.
Why should I vote in favour of the Scheme?	The Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders. Other reasons why you may vote in favour of the Scheme are set out in section 2.1 of this Scheme Booklet.
Why might I vote against the Scheme	You may believe that the Scheme is not fair and reasonable and therefore not in the best interests of the Viralytics Shareholders or you may wish to remain a Viralytics Shareholder. Other reasons why you may vote against the Scheme are set out in section 2.2 of this Scheme Booklet.
What happens if I vote against the Scheme or do not vote at all?	The Scheme may still be implemented even if you vote against it or do not vote. If the Scheme is approved by the requisite majority of Viralytics Shareholders at the Scheme Meeting and the Scheme is approved by the Court, your Viralytics Shares will be transferred to MSD even though you have voted against the Scheme. You will receive the Scheme Consideration for the Viralytics Shares that you hold at the Record Date, whether or not you vote for the Scheme.
What happens if there is a Superior Proposal?	Since the transaction with MSD was announced, no Superior Proposal has emerged. If an alternative proposal is received, the Directors will review that proposal and determine if it represents a Superior Proposal and advise you of their recommendation.
What happens if the Scheme is not implemented?	You will retain your Viralytics Shares and will not receive the Scheme Consideration. More information about the implications for Viralytics if the Scheme is not implemented is set out in section 2.4 of this Scheme Booklet.
Can I sell my Viralytics Shares now?	You can sell your Viralytics Shares at any time. However, if you do so, and you cease to be the registered holder before the Record Date, you will not be entitled to the Scheme Consideration.

What are the key risks for Viralytics?	If the Scheme does not proceed, Viralytics Shareholders will continue to be exposed to risks associated with Viralytics' business and industry generally. This includes certain risks specific to Viralytics, including the following: (a) CAVATAK® is still in development and Viralytics has not generated any product sales and product revenues (if any) are likely to be a number of years in the future; (b) Viralytics clinical trials are costly and time-consuming, may be subject to suspension by regulatory authorities, and may ultimately prove unsuccessful. There is also no guarantee that adequate numbers of patients can be recruited for clinical trials; (c) Viralytics may not obtain the regulatory approvals that it requires for sale of its products or the reimbursement approvals required for sales growth, or such approvals may be subject to delay; (d) as Viralytics currently has no material revenues, it may need to raise further capital in the future, which may dilute existing Shareholders' interests; (e) Viralytics is dependent on the performance of its contract researchers and third-party collaborators, as well as the retention of key consultants and personnel for its specialised business; (f) Viralytics has had success in manufacturing CAVATAK® through a third party collaborator, however the process must be scaled up to a level commensurate with potential market requirements and there is a risk that such scale up may present technical difficulties; (g) Viralytics value may be impacted if its intellectual property is not able to be adequately protected or is subject to challenge by a third party; (h) Viralytics value may be impacted by competitive or alternative products or technologies; and (i) a significant portion of Viralytics' expenditure is incurred in other currencies and therefore subject to the risk of fluctuations in foreign exchange markets.
Who can help answer my questions?	If you have any questions, you can contact Viralytics' information line on +61 1300 553 490 (between 9:00am and 5:00pm on weekdays).

How to Vote

Scheme Meeting

The Scheme Meeting will be held at 2.00pm (Sydney time) on Monday, 28 May 2018 at the Museum of Sydney, Warrane Theatre, Corner of Bridge and Phillip Streets, Sydney, NSW 2000.

Those persons who are registered as Viralytics Shareholders at 7.00pm (Sydney time) on Saturday, 26 May 2018 will be eligible to vote at the Scheme Meeting.

Majority required to pass the resolution

The resolution at the Scheme Meeting must be passed by:

- a majority in number of Viralytics Shareholders present and voting (in person or by proxy, attorney or corporate representative); and
- at least 75% of the votes cast at the Scheme Meeting.

If all other Conditions Precedent have been satisfied or waived, the Court will then be asked to approve the Scheme.

Your Directors believe the Scheme is a matter of importance for all Viralytics Shareholders and therefore urge you to vote.

What should you do

- Read this Scheme Booklet carefully.
- If you have any questions, contact Viralytics' information line on +61 1300 553 490 (between 9:00am and 5:00pm on weekdays).
- Exercise your right to vote in person or by completing the proxy form.

Voting in person (including by attorney or corporate representative)

- You should arrive at the venue by 1.30pm (Sydney time) on Monday, 28 May 2018 so that your shareholding may be checked against the register and your attendance noted. Please bring your personalised proxy form with you. The barcode at the top of the form will assist you in registering for the Meeting. If you do not bring your proxy form with you to the Meeting you will still be asked to verify your identity.
- Attorneys should bring the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting (including one which has previously been provided with the proxy form, see further below).
- A corporation may appoint an individual to act as its representative to vote in person. The appointment must comply with the requirements of section 250D Corporations Act. The representative should bring to the meeting evidence of their appointment, including the authority under which it is signed.

Submit proxy online

If you would like to lodge your proxy online please follow the instructions below:

1. Go to investorcentre.linkmarketservices.com.au<http://investorcentre.linkmarketservices.com.au/>

2. Enter the Issuer Name: VLA - Viralytics Limited

3. Enter your SRN/HIN

4. Enter the postcode (Australian address) or country code (overseas address) relevant to each share holding.

5. Type the security code, tick the terms & conditions box and then click Login.

6. Click the Voting tab to lodge your proxy.

Voting by proxy

- You may appoint a proxy by completing the proxy form accompanying this Scheme Booklet.
- The proxy need not be a Viralytics Shareholder.
- You or your attorney must sign the proxy forms.
- For corporations, the proxy form must be signed by two directors or by a director and a secretary or, for a proprietary company that has a sole director who is also the sole secretary, by that director, or by its attorney or duly authorised officer.
- Alternatively, the relevant authority (e.g. in the case of proxy forms signed by an attorney, the power of attorney) must either have been exhibited previously to Viralytics or be enclosed with the proxy form.
- A Viralytics Shareholder entitled to cast two or more votes may appoint two proxies to attend and vote for them. If you want to appoint two proxies, an additional proxy form will be supplied by Viralytics on request. If two proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes.
- The duly signed proxy form and the original or a certified copy of any relevant authority (if not exhibited previously to Viralytics) must be received by Viralytics no later than 2.00pm on 26 May 2018. Proxy forms received by Viralytics after this time and date will not be valid.

Proxy forms must be returned to Viralytics as follows:

Post or deliver to: (If posting within Australia, please use the reply paid envelope provided)	Viralytics Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
Fax to:	+61 2 9287 0309
Date by which proxy forms must be received:	2.00pm (Sydney time) on Saturday, 26 May 2018

Scheme of arrangement

1 Key features of the Scheme

1.1 Overview

MSD proposes to acquire all of the Viralytics Shares through a scheme of arrangement.

If the Scheme is implemented:

(a) you will receive $1.75 in cash for each Viralytics Share held on the Record Date;

(b) your Viralytics Shares will be transferred to MSD; and

(c) Viralytics will become a wholly-owned Subsidiary of MSD.

A copy of the Scheme is at Annexure C of this Scheme Booklet.

1.2 Scheme Consideration for the Scheme

If the Scheme is approved, the total Scheme Consideration provided by MSD for the acquisition of 100% of Viralytics will be $502.4 million in cash.

MSD intends to fund the Scheme Consideration through an intra-group borrowing arrangement utilising existing cash reserves of the MSD Group - see section 5.2 of this Scheme Booklet.

1.3 Overall effect of the Scheme

Completion of the Scheme, through the transfer of 100% of the Viralytics Shares to MSD, results in:

(a) MSD holding all the issued share capital in Viralytics; and

(b) Viralytics becoming a wholly-owned Subsidiary of MSD.

1.4 Effect on Viralytics Shareholders

As a result of the Scheme, Viralytics Shareholders cease to be holders of Viralytics Shares.

If the Scheme is implemented, on the Implementation Date, all Viralytics Shareholders receive the Scheme Consideration for the Viralytics Shares they hold on the Record Date as follows:

(a) MSD will pay $502.4 million (being the total cash representing the Scheme Consideration that is payable to each Scheme Shareholder) to the Scheme Consideration Trust Account for Viralytics to hold as trustee for the Scheme Shareholders; and

(b) Viralytics will pay to each Viralytics Shareholder the Scheme Consideration for the number of Viralytics Shares held by each Viralytics Shareholder at the Record Date, from the amount deposited by MSD into the Scheme Consideration Trust Account.

1.5 Intentions for Viralytics

The MSD board's present intention (recognising that this may change in due course) is to make no change, other than in the normal course of business, to each of the following:

(a) the continuation of the business of Viralytics;

(b) the use of the fixed assets of Viralytics; or

(c) the continued employment of the present employees of Viralytics.

Further information about these intentions can be found in Section 5.4 of this Scheme Booklet.

1.6 Directors' recommendation

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Directors that hold Viralytics Shares intend to vote their shares, and shares held by their Related Entities, in favour of the Scheme.

1.7 Independent Expert's Report

Viralytics commissioned the Independent Expert to give an opinion on whether the Scheme is in the best interests of Viralytics Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders.

The Independent Expert's Report is at Annexure A.

1.8 Viralytics Shareholder and Court approvals required

Viralytics Shareholder approval

The Court has ordered that a Scheme Meeting be convened. The resolution for the Scheme to be considered at the Scheme Meeting must be passed by:

(a) a majority in number (more than 50%) of Viralytics Shareholders, present and voting (in person or by proxy, attorney or corporate representative); and

(b) at least 75% of the votes cast at the Scheme Meeting.

If the resolution is not passed by the requisite majority, the Scheme will not proceed.

Court approval

If the Scheme is approved by the requisite majority of Viralytics Shareholders at the Scheme Meeting and all Conditions Precedent are satisfied or waived, Viralytics will ask the Court to approve the Scheme at the Second Court Hearing, expected to be held on 4 June 2018.

1.9 Conditions Precedent

Implementation of the Scheme is subject to the following Conditions Precedent:

(a) all necessary regulatory approvals being obtained;

(b) there being no Viralytics Material Adverse Change;

(c) there being no Viralytics Prescribed Occurrence;

(d) Viralytics Shareholders approving the Scheme and the Scheme being approved by order of the Court;

(e) Viralytics making all necessary ASIC lodgements;

(f) the Viralytics Options and Viralytics Performance Rights being dealt with;

(g) Viralytics having adopted appropriate resolutions for the termination of the 401(k) employee plan in place for its US subsidiary; and

(h) the Independent Expert issuing a report which concludes and continues to conclude that the Scheme is fair and reasonable and therefore in the best interests of the Viralytics Shareholders.

Further details on the Conditions Precedent are set out in section 8.2 of this Scheme Booklet.

As at the date of this Scheme Booklet, Viralytics is not aware of any circumstances which would cause the Conditions Precedent to not be satisfied.

1.10 Tax implications

The tax implications of the Scheme are set out in section 6.

2 Matters relevant to your vote

2.1 Why you may vote in favour of the Scheme

Directors' recommendation

The Directors unanimously recommend that Viralytics Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The Directors intend to vote in favour of the Scheme for the Viralytics Shares that they or their Related Entities hold or control, in the absence of a Superior Proposal. The interests of all Directors are disclosed in section 9.1 of the Scheme Booklet.

The key factor for Viralytics Shareholders in considering whether to vote for the Scheme, is whether they may expect to receive greater value in a reasonable time period by remaining Viralytics Shareholders or by receiving the Scheme Consideration, having regard to all relevant factors, including the risks inherent in Viralytics' business and other industry risks.

The Directors have carefully considered the matters set out in this section 2 (as summarised in the section entitled 'Why have the Directors recommended the Scheme' starting on page 5).

The Directors believe that the reasons for Viralytics Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme and, therefore, recommend that Viralytics Shareholders vote in favour of the Scheme.

These reasons and other relevant considerations for Viralytics Shareholders are set out in this section.

The Independent Expert's conclusion

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders.

The Independent Expert has valued Viralytics in the range of $338 million to $429 million.

Viralytics Shareholders should read the Independent Expert's Report in full. A copy of the Independent Expert's Report is at Annexure A.

Premium to historical Viralytics Share prices

Under the terms of the Scheme, Viralytics Shareholders will receive $1.75 cash for each Viralytics Share held by them, representing a significant premium to prices at which Viralytics Shares traded before the Scheme was announced on 21 February 2018, including 160% to the 1-month VWAP of Viralytics Shares to 21 February 2018.

No Superior Proposal

At the date of this Scheme Booklet, the Board has not received a Superior Proposal and the Board does not consider it likely that a Superior Proposal will emerge.

The Implementation Deed imposes 'no talk' and 'no shop' obligations on Viralytics, which began on 21 February 2018 (when the Implementation Deed was signed).

However, the Implementation Deed does not prevent a third party from making an alternative proposal and does not prevent the Directors from responding to an unsolicited proposal if, and to the extent, necessary to discharge their fiduciary duties as Directors.

A summary of Viralytics' 'no talk' and 'no shop' obligations is set out in section 8.5 of this Scheme Booklet.

High degree of certainty of value

The Scheme provides a high degree of certainty of value and timing through cash consideration for Viralytics Shareholders who would, if the conditions and approvals for the Scheme are satisfied or waived (see sections 8.2 and 8.3 of this Scheme Booklet), receive $1.75 per Viralytics Share on or about 20 June 2018.

The Scheme Consideration represents a liquidity event at a certain value, which enables Viralytics Shareholders to realise their investment and apply the funds they receive elsewhere.

Viralytics' share price may trade at a discount to the Scheme Consideration

Viralytics' shares may trade at a significant discount to the Scheme Consideration if the Scheme is not approved and no alternative proposal emerges.

The risks inherent in Viralytics' business and the biotechnology and pharmaceutical industry

Viralytics Shareholders should consider the risks inherent in Viralytics' business and the biotechnology and pharmaceutical industry generally, some of which are outside of Viralytics' control, including the following:

(a) CAVATAK® is still in development and Viralytics has not generated any product sales and product revenues (if any) are likely to be a number of years in the future;

(b) Viralytics clinical trials are costly and time-consuming, may be subject to suspension by regulatory authorities, and may ultimately prove unsuccessful. There is also no guarantee that adequate numbers of patients can be recruited for clinical trials;

(c) Viralytics may not obtain the regulatory approvals that it requires for sale of its products or the reimbursement approvals required for sales growth, or such approvals may be subject to delay;

(d) as Viralytics currently has no material revenues, it may need to raise further capital in the future, which may dilute existing Shareholders;

(e) Viralytics is dependent on the performance of its contract researchers and third-party collaborators, as well as the retention of key consultants and personnel for its specialised business;

(f) Viralytics has had success in manufacturing CAVATAK® through a third party collaborator, however the process must be scaled up to a level commensurate with potential market requirements and there is a risk that such scale up may present technical difficulties;

(g) Viralytics value may be impacted if its intellectual property is not able to be adequately protected or is subject to challenge by a third party;

(h) Viralytics value may be impacted by competitive or alternative products or technologies; and

(i) a significant portion of Viralytics' expenditure is incurred in other currencies and therefore subject to the risk of fluctuations in foreign exchange markets.

A detailed summary of the risk factors is set out in section 3 of this Scheme Booklet.

2.2 Why you may vote against the Scheme

While the Directors recommend that you vote in favour of the Scheme and the Independent Expert considers the Scheme is fair and reasonable and therefore in the best interests of Viralytics Shareholders, Viralytics Shareholders are not obliged to follow the Directors' recommendation or agree with the Independent Expert's conclusions. Factors that may lead you to vote against the Scheme include those set out below.

Belief that the Scheme is not in best interests of Viralytics Shareholders

You may believe that the Scheme is not in your best interests or does not adequately reflect Viralytics' value. For example, you may consider that the recent sale prices of Viralytics Shares do not properly reflect their underlying value so that the premiums to those prices represented by the Scheme Consideration are overstated.

Viralytics Shareholders are also referred to the Independent Expert's Report which sets out the factors the Independent Expert considered when reaching its conclusion, including the disadvantages to Viralytics Shareholders. You should read the Independent Expert's Report in its entirety.

Expectation of a Superior Proposal

You may consider that a potential alternative acquirer may emerge and a Superior Proposal may be made. As noted above, no Superior Proposal has been put to the Directors at the date of this Scheme Booklet and the Board does not consider it likely that a Superior Proposal will emerge.

If a Superior Proposal was to emerge the Board will ensure that Viralytics Shareholders are given all material information on that proposal and sufficient time to consider that information.

No exposure to potential future upside and expectation of success leading to a higher Viralytics Share price

If the Scheme is approved and implemented, you will cease to be a holder of Viralytics Shares. You will then no longer be able to participate in any potential future upside that may have resulted from continuing to be a holder of Viralytics Shares.

You will also lose your voting rights as a Viralytics Shareholder and, therefore, your ability to influence the future direction of Viralytics.

You may believe that Viralytics will continue to grow and make progress with its clinical trials, and commercialisation of its technology (including CAVATAK®), after the date of this Scheme Booklet, and that this may support a Viralytics Share price in excess of the Scheme Consideration.

Section 4.8 of this Scheme Booklet contains summary information of Viralytics' financial position. Results for the financial years ending on 30 June 2016, 30 June 2017 and the half year ending on 31 December 2017 are included in this summary.

If the Scheme is approved and implemented, Viralytics will be removed from the Official List of ASX. Following delisting, investors will no longer be able to acquire or trade in Viralytics Shares on ASX.

Tax consequences

If the Scheme is implemented, there are likely to be tax consequences for Viralytics Shareholders, including capital gains tax on the disposal of Viralytics Shares, which may not suit your personal situation. A summary of the tax consequences for Viralytics Shareholders is set out in section 6 of this Scheme Booklet.

2.3 Other relevant considerations

The Scheme may be implemented even if you vote against it

Even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if approved by the requisite majority of Viralytics Shareholders and the Court. If this happens, your Viralytics Shares will be transferred to MSD and you will receive the Scheme Consideration for the Viralytics Shares you hold at the Record Date.

Major shareholder supports the Scheme

Viralytics' largest shareholder, Lepu Medical Group, currently holds voting power in 13% of the Viralytics Shares.

Lepu Medical Group has notified the Board that, in the absence of a Superior Proposal and subject to the Directors maintaining their recommendation to vote in favour of the Scheme, it intends to vote in favour of the Scheme at the Scheme Meeting.

No stamp duty

MSD will pay any stamp duty payable on the transfer of Viralytics Shares under the Scheme.

2.4 Implications of failure to approve the Scheme

If the Scheme is not approved by Viralytics Shareholders and the Court, Viralytics Shareholders will retain their Viralytics Shares. In the absence of a Superior Proposal, there is a risk that Viralytics Shareholders may not be able to realise a price for all of their Viralytics Shares (at least in the short term) comparable to the price that they would receive under the Scheme.

The consequences of the Scheme not being implemented include:

(a) MSD will not pay the Scheme Consideration; and

(b) Viralytics Shareholders will retain their Viralytics Shares.

If the Scheme is not implemented, the Directors intend to continue to operate Viralytics in a manner consistent with current practices. Viralytics Shareholders will be exposed to any benefits and risks associated with their investment in Viralytics.

2.5 Directors' recommendation

The Directors have carefully considered each of these risks, and the Board will continue to work to mitigate their impact on Viralytics if the Scheme is not approved. However, taking these risks into account, and the other matters set out in this Scheme Booklet, the Directors recommend that Viralytics Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

3 Risk factors

3.1 Risk factors applicable to Viralytics if the Scheme does not proceed

If the Scheme does not proceed, Viralytics Shareholders will continue to be exposed to risks associated with Viralytics' business and industry generally. This includes certain risks specific to Viralytics, which are set out below.

3.2 Specific risks

Development stage products not approved for commercial sale

CAVATAK® is still in development. Viralytics has not generated any product sales and product revenues, if any, are likely to be years away. CAVATAK® requires significant additional development, including extensive clinical trial testing and regulatory approval prior to commercial use. There are many reasons why initially promising products fail to be successfully commercialized. Clinical trials may be suspended for safety or efficacy reasons. Even if research and development efforts are successful, there is no guarantee that products will obtain regulatory approval or be manufactured in commercial quantities at reasonable costs.

Clinical trials

Clinical trials are very costly and time-consuming. The results of pre-clinical or early stage clinical trials are not necessarily predictive of safety or efficacy, and later stage clinical trials may fail to show desired safety and efficacy. At any time Viralytics, the FDA or other regulatory authorities may suspend or terminate clinical trials. There is no guarantee that adequate numbers of patients can be recruited for clinical trials. Other unforeseen developments could prevent or delay completion of clinical trials or increase Viralytics' costs.

Regulatory approval

The research, development, manufacture, marketing and sale of products using Viralytics' technology are subject to varying degrees of regulation by a number of government authorities in Australia and overseas including but not limited to the FDA.

Products developed using Viralytics' technology must undergo a comprehensive and highly regulated development and review process before receiving approval for marketing. The process includes the provision of clinical data relating to the quality, safety and efficacy of the products for their proposed use.

Furthermore, any of the products utilising Viralytics' technology may be shown to be unsafe, non-efficacious, difficult or impossible to manufacture on a large scale, uneconomical to market, compete with superior products marketed by third parties or not be as attractive as alternative treatments.

Operating losses and negative cash flow

Due to the cost of its development programs, clinical trials, and to a lesser extent, general administrative expenses, Viralytics expects to continue to incur operating losses unless and until Viralytics can enter into a suitable trade sale, licensing or collaboration agreement with a third party. There is no guarantee that Viralytics can successfully develop, manufacture and commercialize any products, or achieve positive cash flow or profitability or that a suitable licensing or collaboration agreement will be entered into by Viralytics.

Future capital requirements

Viralytics would likely need to raise further capital funds in the future. There can be no assurances that Viralytics will have sufficient capital resources in the future or that it will be able to obtain additional resources via a debt or equity raising on terms acceptable to Viralytics, when required, or at all.

Viralytics may seek to obtain funding by issuing additional shares, borrowing money or entering into collaborative agreements. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which may limit Viralytics' operations and business strategy.

Viralytics' failure to raise capital if and when needed could delay or suspend Viralytics' business strategy and could have a material adverse effect on Viralytics' activities.

Retention of key personnel and contract researchers

Because of the specialised nature of Viralytics' business, it is highly dependent on qualified scientific, technical and managerial personnel.

Viralytics may not be able to attract and retain the qualified personnel necessary for the development of its business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical, managerial and other personnel in a timely manner could harm Viralytics' R&D and its business.

Dependence on third-party collaborators

Viralytics may pursue collaborative arrangements with pharmaceutical and biotech companies, academic institutions or other partners to complete development and commercialise its products. Third party collaborators may be asked to assist with funding or performing clinical trials, manufacturing, regulatory approvals or product marketing. If Viralytics is unable to find a partner, Viralytics would be required to develop and commercialize its products at its own expense. Self-funding may limit the number of product candidates and strain its internal resources.

Manufacture

Viralytics has had success in manufacturing CAVATAK® for clinical trial needs through a Californian based third party contract manufacturing organisation. The manufacturing process must however be scaled up to a level commensurate with potential market requirements and there is a risk that such scale up may present technical difficulties.

Intellectual Property

Viralytics' intellectual property rights, which it relies on to protect the technology underlying its research and future products, may not be adequate. This could enable third parties to use Viralytics' technology or very similar technology and thereby reduce Viralytics' ability to compete in the market. Its success depends on its ability to obtain, protect and enforce patents on its technology and its ability to protect its trade secrets. There is no guarantee that any patents Viralytics owns or licenses will afford meaningful protection for its technology and products. Others may challenge Viralytics' patents or the patents of Viralytics' licensors. As a result, these patents could be narrowed, invalidated or rendered unenforceable. In addition, current and future patent applications on which Viralytics depends may not result in the issuance of patents in Australia, the US or other countries.

Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Viralytics' products may compete with existing alternative treatments that are already available to customers. In addition, a number of companies, both in Australia and abroad, may be pursuing the development of products that target the same conditions that Viralytics is targeting. Some of these companies may have, or develop, technologies superior to Viralytics' own technology.

Some competitors of Viralytics may have substantially greater financial, technical and human resources than Viralytics does. In addition, academic institutions, government agencies, and other public and private organisations conducting research may seek intellectual property protection with respect to potentially competitive products or technologies. These organisations may also establish exclusive collaborative or licensing relationships with Viralytics' competitors. Viralytics is also dependent upon its ability and the ability of third party collaborators or licensees, to sell and market its products and to develop and commercialise products based on Viralytics' technology.

3.3 General risks

General claims and litigation

Viralytics businesses are exposed to a variety of potential claims and litigation including for public liability, products and services provided by the company, potential outcomes from clinical trials, statutory duties, and claims arising under client contracts or other litigation. Viralytics maintains various insurance policies having regard to these potential exposures. Despite that protection it is possible that claims might arise which could have an adverse effect on Viralytics' performance and reputation and, if not covered by insurance, that those claims could have an adverse effect on the financial performance of Viralytics.

An associated risk is that the cost of insurance may increase and availability of insurance in the biotechnology and pharmaceutical industry may decline.

As at the date of this Scheme Booklet, Viralytics is not involved in any material legal or arbitration proceedings nor, so far as the Board is aware, are any such material proceedings pending or threatened against Viralytics.

Government policy and regulation

Changes in legislation, government policy or regulation could also adversely impact the performance of the business of Viralytics. In addition, if the amount and complexity of applicable legislation, policy or regulation increases, so too may the cost of compliance and the risk of non-compliance by Viralytics.

Viralytics cannot predict the impact of future legislation and regulatory change on its business. However, as the amount and complexity of the regulation increases, so may the cost of compliance and the risk of non-compliance.

General economic risks

Changes in economic conditions both in Australia and globally affect the financial performance of Viralytics' business. No assurance can be made that the market performance of Viralytics will not be adversely affected by these changes, which include changes in:

(a) inflation and interest rates;

(b) employment levels and labour costs which may affect the cost structures of the businesses;

(c) household income, total investment and economic output;

(d) investor sentiment and local and international stock market conditions; and

(e) fiscal, monetary and regulatory policies.

Market for shares in Viralytics

There can be no guarantee that a liquid market in Viralytics Shares will exist if the Scheme does not proceed. There may be relatively few potential buyers, or many sellers, of Viralytics Shares on ASX at any given time. This may affect the prevailing market price at which Viralytics Shareholders are able to sell their Shares. This may result in Viralytics Shareholders receiving a market price for their Viralytics Shares which is less than the value of the Scheme Consideration or the current market price at which Viralytics Shares currently trade on ASX.

Foreign currency risk

Foreign currency risk arises from assets and liabilities that are denominated in a currency that is not Viralytics' functional currency of Australian dollars.

To the extent that Viralytics sells or acquires goods in a denomination other than the Australian dollar, movements in currency exchange rates may have an adverse impact on the future financial performance of Viralytics. Even if Viralytics sells or acquires goods in Australian dollars, if those goods are sourced from or exported to overseas countries, Viralytics will be exposed to potential adverse exchange rate movements. Viralytics may not be able to successfully mitigate these risks by use of hedging instruments, such as forward sales or futures markets.

Force majeure risks

Circumstances or events beyond Viralytics' control (such as terrorist activities, outbreak of hostilities and natural disasters) may adversely affect the performance of Viralytics' business operations in Australia or overseas.

4 About Viralytics

4.1 Viralytics and its business – a brief overview

This section of the Scheme Booklet contains information about Viralytics. The Independent Expert's Report at Annexure A contains further detailed information about Viralytics.

4.2 Viralytics' business overview

Viralytics is developing oncolytic immunotherapy treatments for a range of cancers. The company's lead investigational product, CAVATAK®, is currently being studied in clinical trials for the treatment of melanoma, as well as bladder and lung cancers.

CAVATAK® is a proprietary formulation of the common cold Coxsackievirus Type A21 (CVA21) that preferentially binds to specific 'receptor' proteins highly expressed on multiple cancer types.

CAVATAK® acts to kill both local and metastatic cancer cells through cell lysis and the potential generation of an immune response against the cancer cells – a two-pronged mechanism of action known as oncolytic immunotherapy.

CAVATAK®-induced changes in the tumour microenvironment suggest a strong local and systemic anti-tumour response, particularly when used in combination with checkpoint inhibitors. These changes include an increase in immune cell infiltration and the up-regulation of immune-checkpoint molecules such as PD-L1.

Through these selective mechanisms of action, our therapies are designed to provide greater tolerability and efficacy, offering hope of an improved clinical benefit and quality of life to patients with cancers that are difficult to treat with current therapeutic approaches.

4.3 Potential applications of CAVATAK and overview of clinical programs

CAVATAK® has potential application across a range of cancer types, including lung, colorectal, bladder and melanoma. It has demonstrated efficacy as a monotherapy in a Phase II melanoma trial. In completed and ongoing trials it has demonstrated potential to improve the efficacy of checkpoint inhibitors when administered in combination.

CAVATAK® is being investigated in the following clinical trials which are currently underway:

Program		Target	Phase
CAPRA	Intralesional CAVATAK® and Pembrolizumab (KEYTRUDA®)	Melanoma	Ib
MITCI	Intralesional CAVATAK® and Ipilimumab (YERVOY®)	Melanoma	Ib
KEYNOTE-200	Intravenous CAVATAK® and Pembrolizumab (KEYTRUDA®)	Lung and bladder cancer	Ib
CLEVER	Intravenous CAVATAK® and Ipilimumab (YERVOY®)	Uveal melanoma	Ib

For further details and a recent update on Viralytics' clinical trials, see the announcement made by the Company on 11 April 2018.

4.4 Industry overview [1]

The global biopharma industry is currently in a position of strength. In the past few years large and small drug developers have successfully launched transformative products in a number of therapy areas and global demographics signal rising demand for healthcare.

Immuno-oncology, based on therapies utilising the body's own immune system to treat cancer, has become a prominent sector within biopharma. Checkpoint inhibitors are an important class of immuno-oncology agent which take the brakes off the immune response to cancer and have application across a broad range of cancer types including melanoma, lung and bladder cancer. They include the anti-PD-1 antibodies such as pembrolizumab (KEYTRUDA®, Merck), nivolumab (OPDIVO®, Bristol Myers Squibb) and anti-CTLA4 antibodies such as ipilimumab (YERVOY®, Bristol Myers Squibb).

Research is ongoing in various checkpoint combination settings with IDO inhibition perhaps the most immediately pivotal. Adding IDO to PD-L1 may generate more than just incremental benefit, and add another checkpoint inhibitor, after PD-L1 and CTLA4.

There are numerous other combination studies with novel immune checkpoint targets underway - 765 studies involving combinations of PD-1 or PD-L1 assets were listed on the Clinicaltrials.gov registry in the first half of 2017[2]. This number of trials indicates how important combination treatments will be in extending immuno-oncology beyond just a handful of cancers, and certain patient sub-groups.

4.5 Viralytics' organisational structure

Viralytics has a single wholly-owned subsidiary, Viralytics Services Inc., which is an entity incorporated in Delaware for the provision of management services to Viralytics.

4.6 Viralytics' Board

The current Viralytics Board comprises the following people:

Mr Paul Hopper – Non-Executive Chairman

Mr Hopper has over twenty years' experience in the management and funding of biotechnology and healthcare public companies with extensive capital markets experience in equity and debt raisings in Australia, Asia, US and Europe. Mr Hopper's sector experience has covered a number of therapeutic areas with a particular emphasis on immunotherapy and cancer vaccines.

Mr Hopper has served as CEO and Director of many listed biotechnology and healthcare companies in Australia and the US and has significant experience in fund raising, corporate governance, risk and strategy. Mr Hopper also brings significant financial and accounting expertise to the Board with many years' experience in providing advice and guidance as it relates to the oversight of accounting policies, financial reporting, financial analysis, cash flow forecasting, mergers and acquisitions, valuations and management of companies of differing sizes and financial circumstances.

[1] Source – EP Vantage 2018 Preview
[2] Llieth and Elmhirst, PD-1/PD-L1 Combination Therapies Report, Evaluate Ltd, May 2017

Mr Hopper currently serves as Executive Chairman, Chairman and Executive Director of three ASX listed companies, including Viralytics, and serves on a number Board sub-committees relating to audit, risk, governance and remuneration.

Mr Peter Turvey - Non-Executive Director

Mr Turvey has over thirty years' experience in the biotechnology industry most of which were as Group General Counsel, Company Secretary and Executive Vice-President Licensing of speciality biopharmaceutical Group CSL Limited. Joining CSL in 1992 when it was still owned by the Commonwealth Government, Mr. Turvey was part of the Executive Team that built CSL into the global biopharmaceutical company that it is today by being heavily involved in CSL's acquisitions and divestments over those years and directly responsible for the protection and licensing of its intellectual property. Mr Turvey was also Chair of CSL's Corporate Risk Management Committee, responsible for internal audit and insurance and a member of CSL's Audit and Risk Management Committee. He retired from CSL in 2011.

Mr Turvey is currently a Non-Executive Director of Victorian State Government-owned Agriculture Victoria Services Pty Ltd and a Principal of Foursight Associates Pty Ltd. Mr Turvey is also a non-executive Director of Starpharma Holdings Ltd and the Chair of the Board of Phytogene Pty. Ltd., a wholly-owned subsidiary of Agriculture Victoria Services Pty. Ltd.

Mr Turvey is Chair of Viralytics' Audit and Risk Committee.

Dr Leonard Post - Non-Executive Director

Dr Post has extensive experience in oncolytic viruses and virotherapy having been a past director of and consultant to Biovex Ltd, acquired by Amgen Inc. in 2011. He was also Senior Vice President of R&D at Onyx Pharmaceuticals which was one of the first companies involved in the development of targeted oncolytic viruses.

Dr Post has a well-established commercial background. In 2007 he founded US-based LEAD Therapeutics Inc. which was then acquired by BioMarin Pharmaceuticals Inc. in 2010 where he served as Chief Scientific Officer until 2016. He is now Chief Scientific Officer and Director of Vivace Therapeutics and a director of three other North American biotechnology companies. He has also been a member of a number of Scientific Advisory Boards. Dr Post is also advisor to an Australian based venture capital firm.

Dr Malcolm McColl - Managing Director and Chief Executive Officer

Dr McColl has more than twenty years' experience in the pharmaceutical and biotechnology industries, serving in senior level business development positions at both international and regional companies, with a focus on the oncology field.

Prior to joining Viralytics he was Vice President Business Development at Starpharma and responsible for partnering activities and programs. Before joining Starpharma he held senior European and Asia Pacific business development roles with Hospira (formerly Mayne Pharma) and CSL where he spent 13 years culminating with 4 years in the US as Vice President Global Business Development for the Animal Health Division.

4.7 Management team

Dr Malcolm McColl – Managing Director and Chief Executive Officer

Refer to Section 4.6 above for a summary of Dr McColl's experience.

Ms Sarah Prince - Company Secretary

Ms Prince holds a BA LLB from the University of Tasmania and is an Associate of the Governance Institute of Australia.

Ms Prince has over ten years' experience as a solicitor and governance professional and currently works for Company Matters Pty Limited. Previously, Sarah worked in the Board Advisory Services division of KPMG.

Mr Robert Vickery – Chief Financial Officer

Mr Vickery has over twenty five years' experience as a finance professional, with a particular focus on life sciences and innovation based businesses. He has responsibility for the finance, tax and IT functions within Viralytics and has played an active role in corporate governance and capital markets activities for the group.

Previously he held senior roles with several biotech and innovation based businesses, including several years as CFO and Company Secretary of ASX listed Biosignal Ltd. Prior to that he served with the Australian head office of the global Swire Group in a range of treasury, taxation and company secretarial roles. He served the early part of his career in the Audit divisions of two mid-tier Chartered Accounting firms, rising to audit manager. Mr Vickery is an Associate of the Institute of Chartered Accountants and the Governance Institute of Australia.

Dr Darren Shafren – Chief Scientific Officer

Professor Dr. Darren Shafren B Sc. (Hons) Ph.D is Viralytics chief scientific officer and founder of the company's technology. He is responsible for the research, development and intellectual property management of the company's immunotherapeutic program. Dr Shafren is also Associate Professor of Virology in the Faculty of Health, University of Newcastle, and works full time on the Viralytics oncolytic immunotherapy project. He works from the company's state of the art laboratory in the Hunter Medical Research Institute (HMRI) in Newcastle, New South Wales. He leads a research staff of scientists and research personnel. He has over twenty years' experience in basic and molecular virology.

His work has been peer reviewed and acknowledged by international, scientific publications. His career in virology and immunotherapy has been one of significant progress, starting in 1998 when he was awarded the HMRI Young Medical Researcher of the Year prize and continuing through until the current day.

4.8 Viralytics financial performance

This section sets out the historical financial information of Viralytics. As this section contains only summarised historical financial information, you should read and understand the additional notes and financial information in Viralytics' annual financial reports (which are available on request).

Summary of historical financial position

The statements of financial position of Viralytics as at 31 December 2017, 30 June 2017 and 30 June 2016 is summarised in the table below.

ASSETS	31 December 2017 $	30 June 2017 $	30 June 2016 $
Current Assets			
Cash and cash equivalents	22,021,879	34,274,058	46,121,485
Trade and other receivables	11,922,191	6,865,193	4,848,713
Total Current Assets	**33,944,070**	**41,139,251**	**50,970,198**
Non-Current Assets			
Plant and equipment	192,000	146,836	78,667
Investments	-	-	-
Intangible assets	1,057,996	1,253,152	1,643,464
Total Non-Current Assets	**1,249,996**	**1,399,988**	**1,722,131**
TOTAL ASSETS	**35,194,066**	**42,539,239**	**52,692,329**
LIABILITIES			
Current Liabilities			
Trade and other payables	4,038,709	2,949,129	2,364,305
Total Current Liabilities	**4,038,709**	**2,949,129**	**2,364,305**
Non-Current Liabilities			
Trade and other payables	16,986	-	-
Total Non-Current Liabilities	**16,986**	**-**	**-**
TOTAL LIABILITES	**4,055,695**	**2,949,129**	**2,364,305**
NET ASSETS	**31,138,371**	**39,590,110**	**50,328,024**
EQUITY			
Contributed equity	121,885,635	121,696,416	121,169,264
Reserves	2,386,204	3,222,263	2,193,819
Accumulated losses	(93,133,468)	(85,328,569)	(73,035,059)
TOTAL EQUITY	**31,138,371**	**39,590,110**	**50,328,024**

Key points to note about the financial position of Viralytics, set out in the table on the previous page, include:

(a) On 5 January 2018 the Company raised $29,633,682 in cash through the issue of 36,138,637 shares. This amount is not reflected in the balance sheet at 31 December 2017.

(b) Trade and other receivables includes $11,483,115 in respect of the R&D Tax Incentive. Of this $6,437,137 was received in January 2018 in respect of the year ended 30 June 2017 and $5,045,978 for the period July to December 2017 which is anticipated to be receivable as part of the Group's application for the year ending 30 June 2018; and

(c) Intangible assets are virotherapy intellectual property arising from the acquisition of the technology.

Summary of historical financial performance

The statement of comprehensive income of Viralytics as at 31 December 2017, 30 June 2017 and 30 June 2016 is summarised in the table below.

	31 December 2017 $ (6 months)	**30 June 2017 $ (12 months)**	**30 June 2016 $ (12 months)**
Total Revenue	231,264	543,389	512,652
Total Other Income	5,097,234	6,480,285	4,654,938
Total Expenses	(14,614,397)	(19,317,184)	(14,233,313)
Income tax expense	-	-	-
Loss from ordinary activities after income tax	**(9,285,899)**	**(12,293,510)**	**(9,065,723)**
Exchange Differences on translating foreign operations	(4,700)	(1,045)	-
Total Comprehensive Loss	**(9,290,599)**	**(12,294,555)**	**(9,065,723)**
Basic loss per share (cents per share)	(3.9)	(5.1)	(4.3)
Diluted loss per share (cents per share)	(3.9)	(5.1)	(4.3)

Key points to note about the financial performance of Viralytics, set out in the table on the previous page, include:

(d) Total other income is predominantly estimated income from the R&D tax incentive for 31 December 2017 based on applicable expenditure for the period 1 July to 31 December 2017;

(e) Major expense items for 31 December 2017 comprise:

(i) $5.7 million – clinical trials;

(ii) $1.4 million – other research and development; and

(iii) $4.1 million – manufacture of product and related costs

Summary of historical cash flow statements

The statements of cash flow of Viralytics as at 31 December 2017, 30 June 2017 and 30 June 2016 is summarised in the table below.

	31 December 2017	**30 June 2017**	**30 June 2016**
	$	$	$
Cash Flows from Operating Activities			
R & D Tax Incentive Offset	-	4,295,768	2,928,531
Payments to suppliers and employees	(12,124,985)	(16,261,060)	(10,955,749)
Interest received	232,300	555,686	489,830
Interest paid	(19)	(17)	(4,803)
Net cash (used in) operating activities	**(11,892,704)**	**(11,409,623)**	**(7,542,191)**
Cash Flows from Investing Activities			
Purchase of plant equipment	(82,522)	(119,912)	(32,761)
Security Deposits transferred to cash	-	-	52,536
Net cash (used in) investing activities	**(82,522)**	**(119,912)**	**19,775**
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	32,362,738
Exercise of Options	70,400	342,707	1,920,000
Costs of fund raising	(3,676)	(6,805)	(1,564,085)

Net cash provided by financing activities	**66,724**	**335,902**	**32,718,653**
Net increase / (decrease) in cash held	**(11,908,502)**	**(11,193,633)**	**25,196,237**
Net Foreign Exchange Difference	(343,677)	(653,794)	(640,565)
Cash at the beginning of the financial year	34,274,058	46,121,485	21,565,813
Closing cash at the end of the financial period	**22,021,879**	**34,274,058**	**46,121,485**

Within the knowledge of the Board, and other than disclosed in this Scheme Booklet (in particular as set out above), the financial position of Viralytics has not materially changed since 31 December 2017.

4.9 Recent announcements

This section summarises Viralytics' announcements since 18 August 2017 (the date of issue of Viralytics' financial statements for the period ending 30 June 2017) to the date of this Scheme Booklet.

Date	Description of announcement
11/04/2018	New CAVATAK Data at International Oncolytic Virus Conference
09/03/2018	Ceasing to be a substantial holder from MUFG
08/03/2018	Ceasing to be a substantial holder from MS
06/03/2018	Ceasing to be a substantial holder
05/03/2018	Becoming a substantial holder from MUFG
02/03/2018	Becoming a substantial holder from MS
02/03/2018	Ceasing to be a substantial holder
26/02/2018	Appendix 4D Half Yearly Report and Accounts
21/02/2018	MSD and Viralytics Announce Acquisition Agreement
24/01/2018	Appendix 4C - quarterly
15/01/2018	Ceasing to be a substantial holder
12/01/2018	Change of Director's Interest Notice
12/01/2018	Ceasing to be a substantial holder
10/01/2018	Appendix 3B
09/01/2018	Notice of Initial substantial Shareholder
08/01/2018	JP Morgan Healthcare conference, new investor presentation
08/01/2018	Viralytics Receives $6.4 Million R&D Tax Incentive
05/01/2018	Cleansing Notice
05/01/2018	Appendix 3B

Date	Description of announcement
05/01/2018	$29.6m Equity Placement to Lepu Medical Group of China
04/01/2018	Trading Halt
15/12/2017	Change of Director's Interest Notice x 4
14/12/2017	Ceasing to be a substantial holder
12/12/2017	Appendix 3B - Issue of Options and Performance Rights
06/12/2017	Change of Director's Interest Notice
04/12/2017	Ceasing to be a substantial holder from MUFG
04/12/2017	Change in substantial holding
04/12/2017	Ceasing to be a substantial holder from MS
01/12/2017	Becoming a substantial holder from MUFG
01/12/2017	Becoming a substantial holder from MS
28/11/2017	Chairman's Letter to Shareholders
22/11/2017	Results of Meeting
22/11/2017	AGM Presentation
22/11/2017	Chairman's Address to Shareholders
13/11/2017	New Data at SITC Meeting. Further Studies Announced
01/11/2017	Change of Director's Interest Notice
31/10/2017	Cleansing Notice
31/10/2017	Appendix 3B
31/10/2017	Viralytics to Present at 2017 SITC Annual Meeting
25/10/2017	Appendix 4C - quarterly
23/10/2017	Notice of Annual General Meeting/Proxy Form
23/10/2017	Annual Report to shareholders
20/09/2017	Date of Annual General Meeting
15/09/2017	Appendix 3B
18/08/2017	Viralytics Annual Report and Full Year Financial Results
18/08/2017	Appendix 4G and Corporate Governance Statement
18/08/2017	Appendix 4E and Full Year Statutory Accounts
25/10/2017	Appendix 4C - quarterly
23/10/2017	Notice of Annual General Meeting/Proxy Form
23/10/2017	Annual Report to shareholders
20/09/2017	Date of Annual General Meeting
15/09/2017	Appendix 3B

4.10 Viralytics' issued securities

Viralytics Shares and substantial holders

At the date of this Scheme Booklet, there are 278,262,889 Viralytics Shares on issue. A summary of the rights and obligations of Viralytics Shareholders is set out in section 4.11.

The top 20 Viralytics Shareholders, at the date of this Scheme Booklet, is set out below:

Viralytics Shareholder	Number of Viralytics Shares	% of issued capital
HSBC Custody Nominees (Australia) Limited-Gsco Eca	49,447,474	17.77
Citicorp Nominees Pty Limited	48,620,402	17.47
Lepu Holdings Limited	36,138,637	12.99
BNP Paribas Nominees Pty Ltd	13,331,156	4.79
CS Third Nominees Pty Limited	8,995,405	3.23
HSBC Custody Nominees (Australia) Limited - A/C 2	8,543,427	3.07
J P Morgan Nominees Australia Limited	8,542,267	3.07
HSBC Custody Nominees (Australia) Limited	8,005,803	2.88
Mr Ka Kian Lim	5,521,881	1.98
Neweconomy Com AU Nominees Pty Limited	2,068,493	0.74
P Kampfner Pty Ltd	2,000,000	0.72
National Nominees Limited	1,456,826	0.52
Newcastle Innovation Limited	1,349,601	0.49
Dr Nicholas Smith	1,250,000	0.45
Dr Malcolm Mccoll	1,200,000	0.43
CS Fourth Nominees Pty Limited	1,184,022	0.43
Wolram Investments Pty Ltd	1,131,936	0.41
Mr Dale Anthony Reed	1,080,000	0.39
Buttonwood Nominees Pty Ltd	959,053	0.34
Invia Custodian Pty Limited	949,164	0.34
Total	**201,775,547**	**72.51**

The number of Viralytics Shares on issue will change if any Viralytics Options are exercised after the date of this Scheme Booklet.

At the date of this Scheme Booklet, Viralytics Shareholders holding a substantial shareholding (i.e. holding 5% or more of the total number of votes) were as follows:

Shareholder	Number of Shares held	Voting power (%)
Lepu Group	36,138,637	13.04%
Quest Asset Partners Pty Ltd	15,453,739	6.42%
Total	**51,592,376**	**19.46%**

Viralytics Options

Viralytics Options have been issued at various times to Viralytics employees.

Each Viralytics Option entitles the holder, on exercise, to one Share. At the date of this Scheme Booklet, there are 14,183,667 Viralytics Options on issue, held by 10 Viralytics Optionholders.

Number of Viralytics Options	Exercise price $	Expiry date
2,720,000	$0.6437	12 December 2022
3,166,000	$0.7470	12 December 2022
390,000	$1.0092	28 March 2022
666,000	$1.2056	23 November 2021
630,000	$0.9095	28 September 2021
633,333	$0.6626	18 November 2020
2,500,000	$0.5885	18 November 2020
2,500,000	$0.5885	28 September 2020
978,334	$0.332	28 November 2019

Viralytics will enter into an option cancellation deed with each Viralytics Optionholder pursuant to which each Viralytics Option held by them will be cancelled, subject to the Scheme becoming Effective, in exchange for the payment to the Viralytics Optionholder of an amount equal to the Scheme Consideration per share less the respective exercise price per Viralytics Options on the Implementation Date.

Viralytics Performance Rights

Viralytics Performance Rights have been issued at various times to Viralytics employees.

Each Viralytics Performance Rights entitles the holder to receive one Share subject to the satisfaction of applicable performance hurdles. At the date of this Scheme Booklet, there are 131,500 Viralytics Performance Rights on issue, held by 17 Viralytics Performance Rights Holders.

The terms of each Viralytics performance right will be amended so as to vest no later than the Record Date, subject to the Scheme becoming Effective.

Holdings by Viralytics Directors

A summary of the total number of shares held by the Directors or their respective Related Entities is set out in section 9.1.

4.11 Viralytics constitution

The rights attaching to Viralytics shares are detailed in Viralytics' constitution. A summary of the key provisions of the constitution is set out below.

Shares

The Directors are entitled to issue and cancel shares in the capital of Viralytics, grant options over unissued shares and settle the manner in which fractions of a share are to be dealt with. The Directors may decide the persons to whom, and the terms on which, shares are issued or options are granted as well as the rights and restrictions that attach to those shares or options.

The constitution also permits the issue of preference shares on terms determined by the Directors.

Viralytics may also sell a share that is part of an unmarketable parcel of shares under the procedure set out in the constitution.

Variation of class rights

The rights attached to any class of shares may, unless their terms of issue state otherwise, only be varied with the consent in writing of members holding at least three-quarters of the shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

Restricted securities

If the ASX classifies any of Viralytics' share capital as restricted securities, then the restricted securities must not be disposed of during the escrow period and Viralytics must refuse to acknowledge a disposal of the restricted securities during the escrow period, except as permitted under the Listing Rules or by the ASX.

Share certificates

Subject to the requirements of the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules, Viralytics need not issue share certificates if the Directors so decide.

Calls

The Directors may, from time to time, call upon Shareholders for unpaid monies on their shares. The Directors must give Shareholders notice of a call at least 30 business days before the amount called is due, specifying the time and place of payment. If a call is made, Shareholders are liable to pay the amount of each call by the time and at the place specified.

A call is taken to have been made when a Directors' resolution passing the call is made or on any later date fixed by the Board. A call may be revoked or postponed at the discretion of the Directors.

Forfeiture and lien

Viralytics may forfeit shares to cover any call, or other amount payable in respect of shares, which remains unpaid following any notice to that effect sent to a Shareholder. Forfeited shares become the property of Viralytics and the Directors may sell, reissue or otherwise dispose of the shares as they think fit.

A person whose shares have been forfeited may still be required to pay Viralytics all calls and other amounts owing in respect of the forfeited shares (including interest) if the Directors so determine.

Viralytics has a first and paramount lien for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a Shareholder's shares. The lien extends to all distributions relating to the shares, including dividends.

Viralytics' lien over shares will be released if it registers a transfer of the shares without giving the transferee notice of its claim.

Share transfers

Shares may be transferred by any method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Directors. The Directors may refuse to register a transfer of shares where it is not in registrable form, Viralytics has a lien over any of the shares to be transferred or where it is permitted to do so by the Listing Rules or the ASX Settlement Operating Rules.

General meetings

Each Shareholder, Director and auditor is entitled to receive notice of and attend any general meeting of Viralytics. Two Shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

Voting rights

Subject to any rights or restrictions attached to any shares or class of shares, on a show of hands each Shareholder present has one vote and, on a poll, one vote for each fully paid share held, and for each partly paid share, a fraction of a vote equivalent to the proportion to which the share has been paid up. Voting may be in person or by proxy, attorney or representative.

Remuneration of Directors

Each Director is entitled to remuneration from Viralytics for his or her services as decided by the Directors but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by Viralytics in general meeting. The remuneration of an executive Director must not include a commission on, or a percentage of, profits or operating revenue.

Remuneration may be provided in the manner that the Directors decide, including by way of non-cash benefits. There is also provision for Directors to be paid extra remuneration (as determined by the Directors) if they devote special attention to the business of Viralytics or otherwise perform services which are regarded as being outside of their ordinary duties as Directors or, at the request of the Directors, engage in any journey on Viralytics' business.

Directors are also entitled to be paid all travelling and other expenses they incur in attending to Viralytics' affairs, including attending and returning from general meetings or Board meetings, or meetings of any committee engaged in Viralytics' business.

Interests of Directors

A Director who has a material personal interest in a matter that is being considered by the Board must not be present at a meeting while the matter is being considered nor vote on the matter, unless the Corporations Act allows otherwise.

Election and retirement of Directors

There must be a minimum of three Directors and a maximum of 12 Directors unless Viralytics in general meeting resolves otherwise.

Where required by the Corporations Act or Listing Rules, Viralytics must hold an election of directors each year. No Director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. A Director appointed to fill a casual vacancy, who is not a managing Director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no Director is required to retire, then the director who has been longest in office since last being elected must retire.

If a number of Directors were elected on the same day, the Directors to retire is (in default of agreement between them) determined by ballot.

Dividends

If the Directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any shares or class of shares) paid on all shares proportionate to the amount for the time being paid on each share. Dividends may be paid by cash, electronic transfer or any other method as the Board determines.

The Directors have the power to capitalise and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to Shareholders. The capitalisation and distribution must be in the same proportions which the Shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Listing Rules, the Directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

Indemnities and insurance

Viralytics must indemnify current and past Directors and other executive officers (**Officers**) of Viralytics on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the Officer as a result of their holding office in Viralytics or a related body corporate.

Viralytics may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability incurred by the Officer as a result of their holding office in Viralytics or a related body corporate.

Transfer of shares

All Viralytics Shares may be transferred in any manner required or permitted by regulatory requirements and by any document in writing in any usual or common form or in any other form that the Board approves.

5 About MSD Parent and MSD

5.1 Overview of MSD Parent and MSD

This section of the Scheme Booklet contains information about MSD and MSD Parent.

MSD Parent is one of the largest pharmaceutical companies in the world, a global health care company that delivers innovative health solutions through its prescription medicines, vaccines, biologic therapies and animal health medicines and vaccines. MSD Parent's operations are principally managed on a products basis and include four operating segments, which are the pharmaceutical, animal health, healthcare services and alliances segments.

MSD's existing Australian operations are run through Merck Sharp & Dohme (Australia) Pty. Ltd., a wholly owned subsidiary of MSD. Merck Sharp & Dohme (Australia) Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is in Macquarie Park, NSW. MSD Australia currently employs approximately 600 people in Australia.

MSD's products and services

The pharmaceutical segment of MSD's business includes human health pharmaceutical and vaccine products. Human health pharmaceutical products consist of therapeutic and preventive agents, generally sold by prescription, for the treatment of human disorders. MSD Parent, through its affiliates, sells these human health pharmaceutical products primarily to drug wholesalers and retailers, hospitals, government agencies and managed health care providers. Vaccine products consist of preventive paediatric, adolescent and adult vaccines, primarily administered at physician offices. MSD Parent, through its affiliates, sells these human health vaccines primarily to physicians, wholesalers, physician distributors and government entities.

MSD Parent also has an Animal Health segment that discovers, develops, manufactures and markets animal health medicines, including vaccines, which MSD Parent sells to veterinarians, distributors and animal producers.

MSD Parent's Healthcare Services segment provides services and solutions that focus on engagement, health analytics and clinical services to improve the value of care delivered to patients.

MSD's industry

The markets in which MSD Parent conducts its business, and the pharmaceutical industry in general, are highly competitive and highly regulated. In addition to MSD Parent, the industry is comprised of other world-wide research-based pharmaceutical companies, smaller research companies with more limited therapeutic focus, generic drug manufacturers and animal health care companies. The pharmaceutical industry is focused on the search for technological innovations and the ability to market these innovations effectively. With its long-standing emphasis on research and development, MSD Parent is well positioned to compete in the search for technological innovations and has the resources to meet market challenges, including scientific and medical expertise in oncology and a wide range of therapeutic areas, quality control, regulatory expertise, flexibility to meet customer specifications, an efficient distribution system and a strong technical information service.

5.2 Source of Scheme Consideration

The Scheme Consideration payable to each Scheme Shareholder is $1.75 cash per Viralytics Share held on the Record Date.

The maximum amount of cash which MSD could be required to pay under the Scheme is $502.4 million. As at 31 December 2017 MSD Parent and its subsidiaries (**MSD Group**), on a consolidated basis, had cash and cash equivalents of USD$20.6 billion. It is the intention of MSD Parent and MSD that MSD will enter into an intra-group borrowing arrangement in order to fund its payment obligations under the Scheme. On the basis of the MSD Group's cash position, MSD is of the opinion that it has reasonable basis for forming the view, and it holds the view, that it will be able to satisfy its payment obligations under the Scheme, as well as the costs associated with the Scheme.

5.3 Rationale for MSD's acquisition of Viralytics

MSD Parent has been impressed with the results of clinical trials and research conducted by Viralytics to date and believes that, by leveraging MSD Parent's substantial resources and vast experience in researching and developing immunotherapies, MSD Parent will be able to build on the results Viralytics has achieved to date (in particular in relation to CAVATAK) with a view to delivering an innovative breakthrough therapy for the treatment of certain cancers.

5.4 MSD's intentions if the Scheme is implemented

If the Scheme is implemented:

(a) MSD will become the holder of all the Viralytics Shares and, therefore, Viralytics will become a wholly-owned Subsidiary of MSD; and

(b) MSD intends to replace the current Directors, other than Dr Malcolm McColl, with representatives of MSD.

Other than as specified in this section, if the Scheme is implemented, it is the current intention of MSD that:

(a) the existing business of Viralytics will continue to be carried on largely in the manner in which it is presently conducted under the existing management and executives of Viralytics and under the direction of MSD;

(b) no major changes will be made to those businesses;

(c) the Board will comprise Dr Malcolm McColl, Riad El-Dada and Paul Dodd, with Georgina Diab serving as company secretary;

(d) the present employees of Viralytics will continue to be employed subject to a detailed review to be undertaken following implementation of the Scheme.

These statements of present intention are based on the information about Viralytics (including information obtained during due diligence) and the general business environment which is known to MSD at the time of preparation of this Scheme Booklet. Final decisions will only be made once MSD undertakes a detailed review of Viralytics' activities to evaluate its long term profitability and prospects. Therefore, the statements set out in this section are statements of present intention only which may change as new information becomes available or circumstances change.

5.5 Viralytics to be delisted

MSD intends to have Viralytics apply to be removed from the Official List of ASX after the Implementation Date.

5.6 Information on Viralytics securities

Relevant interests and voting power

As at the date of this Scheme Booklet:

(a) neither MSD or its associates had a relevant interest in any Viralytics Shares; and

(b) MSD and its associates had no voting power in Viralytics.

No pre-scheme dealings

Other than the agreement under the Deed Poll to pay the Scheme Consideration, during the four months prior to the date of this Scheme Booklet, neither MSD nor its associates provided, or agreed to provide, or received, or agreed to receive, consideration for any Viralytics Shares under a sale, purchase or an agreement.

No pre-scheme benefits

Other than the agreement under the Deed Poll to pay the Scheme Consideration, during the four month period immediately prior to the date of this Scheme Booklet, neither MSD nor its associates gave, or offered or agreed to give, a benefit to another person that was likely to induce the other person, or an associate of the other person, to:

(a) vote in favour of the Scheme; or

(b) dispose of Viralytics Shares.

6 Tax implications of the Scheme

6.1 Introduction

The following is a general summary of the potential Australian capital gains tax (**CGT**) consequences for Viralytics Shareholders disposing of Viralytics Shares under the Scheme. This summary is based on the law and practice on the date of this Scheme Booklet.

However, the summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Viralytics Shareholder. In particular, the summary is only relevant to Viralytics Shareholders who hold Viralytics Shares on capital account for investment purposes and only considers the Australian tax position. Viralytics Shareholders who are residents of or subject to tax in other countries will need to obtain advice on the tax consequences of that country.

Each shareholder's circumstances will determine how tax laws apply to them. A shareholder should obtain tax advice from a professional adviser on these issues. The Directors are not licensed under the tax agent services regime and cannot give tax advice to shareholders.

All Viralytics Shareholders are advised to seek independent professional advice about their particular circumstances, including for non-resident shareholders on the foreign tax consequences of the Scheme.

6.2 Australian residents – CGT consequences

CGT event on disposal of Viralytics Shares

The disposal of Viralytics Shares will constitute a CGT event for Australian resident Viralytics Shareholders. The CGT event will occur on the Implementation Date.

Viralytics Shareholders will derive a capital gain on the disposal of their Viralytics Shares to the extent the capital proceeds received under the Scheme exceeds the tax cost base of their Viralytics Shares. Conversely, Viralytics Shareholders may incur a capital loss on the disposal of their Viralytics Shares in the event that the capital proceeds received under the Scheme are less than the reduced tax cost base of their Viralytics Shares.

Capital proceeds received under the Scheme

The capital proceeds received for the disposal of the Viralytics Shares will be equal to the Scheme Consideration (that is, the cash payment received by Shareholders on the disposal of their Shares under the Scheme).

Cost base

Generally, the tax cost base of any Viralytics Shares will be equal to the consideration paid to acquire the Viralytics Shares. Other incidental costs incurred by a Viralytics Shareholder for their acquisition or ownership of Viralytics Shares (such as borrowing costs) may also be included in the cost base of shares they own.

The sum of all capital gains incurred by a Viralytics Shareholder on the disposal of their Shares to MSD, reduced by any capital loss incurred during that year or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the Viralytics Shareholder in the year in which the Implementation Date occurs.

Alternatively, in the event that a Viralytics Shareholder makes a capital loss on the sale of their Viralytics Shares to MSD, that capital loss may be used to offset a capital gain made in the same income year or carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the Viralytics Shareholder is a company or trust).

CGT discount

If Viralytics Shareholders make a capital gain on the disposal of their Shares to MSD, they may be entitled to a 'CGT discount'. Any Australian resident Viralytics Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain if their Viralytics Shares were acquired at least 12 months before disposal under the Scheme.

The CGT discount is applied to the capital gain which remains after any available capital losses are first offset to reduce that capital gain.

A Viralytics Shareholder that is an individual or the trustee of a trust may discount the capital gain by 50% and include only 50% of the remaining capital gain in the taxable income of that individual or trust.

A Viralytics Shareholder that is a complying superannuation entity may discount the capital gain by 33 1/3% and include 66 2/3% of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to a Viralytics Shareholder that is a company.

6.3 Stamp Duty

The sale of Viralytics Shares should not give rise to any stamp duty liability for existing Viralytics Shareholders. However, MSD has agreed to pay the stamp duty, if any, for the transfer of Viralytics Shares under the Scheme.

6.4 Goods and Services Tax (GST)

The sale of Viralytics Shares by existing shareholders as contemplated does not attract GST.

If shareholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares may not be recoverable if the individual shareholder exceeds the financial acquisitions threshold as set out in the relevant GST legislation. However, a reduced input tax credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition.

If Viralytics Shareholders are not registered, or required to be registered for GST, no GST implications should arise in respect of the Scheme.

7 Implementation of the Scheme

7.1 Scheme Meeting

On 20 April 2018, the Court ordered that a Scheme Meeting be convened as specified in the Notice of Scheme Meeting at Annexure E and appointed Paul Hopper to chair the Scheme Meeting. The Scheme Meeting will begin at 2.00pm (Sydney time) on Monday, 28 May 2018.

All Viralytics Shareholders registered on the Viralytics share register at 7.00pm (Sydney time) on 26 May 2018 may attend and vote at the Scheme Meeting, either in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed under section 250D Corporations Act. Voting at the Scheme Meeting is by poll.

The resolution in favour of the Scheme must be passed at the Scheme Meeting by:

(a) a majority in number (more than 50%) of Viralytics Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative); and

(b) at least 75% of the votes cast on the resolution at that Scheme Meeting.

Instructions on how to attend and vote at the Scheme Meeting (in person or by proxy), are set out in the 'How to Vote' section on page 10 and in the notes for the Notice of Scheme Meeting.

7.2 Second Court Hearing

If:

(a) the Scheme is approved by the requisite majority of Viralytics Shareholders at the Scheme Meeting; and

(b) all Conditions Precedent have been satisfied, including all regulatory approvals required for the Scheme have been obtained,

Viralytics will apply to the Court for orders approving the Scheme. Viralytics expects the Second Court Date to be 4 June 2018.

Each Viralytics Shareholder has the right to appear at the Second Court Hearing.

7.3 Effective Date

The Scheme will become effective on the Effective Date.

7.4 Record Date

Those Viralytics Shareholders on the register on the Record Date (i.e. at 5:00pm on the fifth Business Day after the Effective Date) (**Scheme Shareholders**) are entitled to the Scheme Consideration for the Viralytics Shares they hold at that time (**Scheme Shares**).

7.5 Persons entitled to Scheme Consideration

Dealings on or before the Record Date

To work out eligibility for Scheme Consideration, dealings in Viralytics Shares are only recognised if Viralytics receives registrable transfers on or before the Record Date.

Viralytics must register transfers received by the Record Date. Viralytics will not accept for registration or otherwise recognise any transfer of Viralytics Shares received after the Record Date.

Dealings after the Record Date

The Viralytics share register solely decides entitlements to Scheme Consideration.

From the Record Date, all certificates for Viralytics Shares cease to have effect as documents of title.

7.6 Implementation Date

On the Implementation Date:

(a) each Scheme Shareholder will be entitled to the Scheme Consideration for the number of Scheme Shares held, calculated and payable to each Scheme Shareholder in accordance with the Scheme; and

(b) the Scheme Shares will be transferred to MSD.

The Implementation Date is 5 Business Days after the Record Date.

In the case of Scheme Shares held in joint names, the Scheme Consideration will be paid to the holder whose name appears first in the Viralytics share register at the Record Date.

7.7 Stamp duty

MSD will pay any stamp duty on the transfer of Viralytics Shares under the Scheme.

7.8 Warranties by Viralytics Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to MSD that:

(a) all of their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to MSD under the Scheme will, on the Implementation Date, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration under the terms of that security interest); and

(b) subject to any restrictions in the terms of issue, they have the full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to MSD under the Scheme.

8 Key terms of the Implementation Deed

8.1 Overview

Viralytics and MSD entered into the Implementation Deed on 21 February 2018. The terms of the Implementation Deed include the following:

(a) Conditions Precedent to the Scheme (refer to section 8.2 of this Scheme Booklet);

(b) steps that each party must take to implement the Scheme (refer to section 7 of this Scheme Booklet);

(c) 'no shop' and 'no talk' arrangements (refer to section 8.5 of this Scheme Booklet); and

(d) termination of the Implementation Deed (refer to section 8.6 of this Scheme Booklet).

The Implementation Deed is at Annexure B.

8.2 Conditions Precedent

Implementation of the Scheme is subject to the satisfaction or waiver of the following Conditions Precedent:

(a) (**Independent Expert's Report**) the Independent Expert concluding that the Scheme is in the best interests of Viralytics Shareholders (refer to the Independent Expert's Report);

(b) (**Regulatory consents**) Before 8.00am on the Second Court Date:

(i) the Treasurer of the Commonwealth of Australia:

(A) ceasing to be empowered under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to prohibit the Scheme; or

(B) giving written notice of a decision that the Commonwealth Government has no objection to the Scheme and that notice is either free from conditions or subject to conditions that are acceptable to the parties; and

(ii) all other approvals required to be obtained from a Government Agency or Regulatory Authority in respect of the Scheme having been obtained.

(c) (**Shareholder approval**) Viralytics Shareholders resolving to approve the Scheme at the Scheme Meeting, by the requisite majorities in accordance with the Corporations Act;

(d) (**Court approval of Scheme**) the Court approves the Scheme under section 411(4)(b) of the Corporations Act;

(e) (**Order lodged with ASIC**) an office copy of the Court order approving the Scheme is lodged with ASIC as contemplated by section 411(4)(b) Corporations Act on or before the Sunset Date;

(f) (**Viralytics Prescribed Event**) No Viralytics Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date;

(g) (**Viralytics Options and Viralytics Performance Rights**) Viralytics has satisfied its obligations under clauses 4.6 and 4.7 of the Implementation Deed prior to 8.00am on the Second Court Date;

(h) (**No Viralytics Material Adverse Change**) No Target Material Adverse Change occurs between the date of this Agreement and 8.00am on the Second Court Date; and

(i) (**Termination of 401(k) plan**) Viralytics and its US subsidiary having adopted appropriate resolutions that provide for termination of the 401(k) plan in place for Viralytics US employees, in accordance with its terms and having provided MSD with evidence satisfactory to it of the adoption of such resolutions.

To the extent that they are capable of being waived, Viralytics and MSD can agree to waive the Conditions Precedent. MSD and Viralytics must each give a certificate to the Court on the Second Court Date confirming (for matters within each party's knowledge) whether all the Conditions Precedent (other than the condition relating to Court approval of the Scheme) have been satisfied or waived as required by the Implementation Deed.

8.3 Conditions of the Scheme

The Scheme is conditional on:

(a) the lodgement with ASIC of an office copy of any Court orders approving the Scheme;

(b) the Implementation Deed not having been terminated as at 8.00am on the Second Court Date;

(c) the satisfaction or waiver of all of the Conditions Precedent (other than the condition relating to Court approval of the Scheme); and

(d) the approval by the Court of the Scheme, with or without modification as accepted by Viralytics, under section 411(4)(b) Corporations Act.

8.4 Status of conditions

As at the date of this Scheme Booklet, Viralytics is not aware of any circumstances which would cause the Conditions Precedent to not be satisfied or waived.

8.5 Exclusivity

The Implementation Deed restricts Viralytics, its Related Entities and their respective directors, employees, officers, agents or advisers from soliciting, discussing, encouraging or inducing any negotiations to obtain any expression of interest, offer or proposal from any other person to acquire all or a substantial part of the assets or business of Viralytics or any subsidiary, or to acquire control of or otherwise acquire or merge with Viralytics, from the date of the Implementation Deed to the earlier of:

(a) 31 July 2018 (**Sunset Date**);

(b) the Effective Date; or

(c) the date the Implementation Deed is terminated.

There are exceptions to these restrictions if Viralytics Directors need to take certain actions to comply with their fiduciary or statutory duties.

Details of Viralytics' exclusivity obligations are provided below.

No-shop

Viralytics must not directly or indirectly solicit, discuss, encourage, or induce any enquiries, negotiations or discussions, or communicate any intention to do any of these things, to obtain any expression of interest, offer or proposal from any other person about any proposal or offer to acquire all or a substantial part of the assets or business of Viralytics or any subsidiary received from any person other than MSD.

No talk

Viralytics must not directly or indirectly, negotiate or enter into, participate in negotiations or discussions with any other person regarding any proposal or offer to acquire all or a substantial part of the assets or business of Viralytics or any subsidiary received from any person other than MSD. Viralytics must not give any other person any right of access to conduct due diligence investigations of Viralytics or a subsidiary even if that proposal was not solicited.

Notification of approaches

If Viralytics is approached by any person to engage in any activity that would breach its 'no shop' and 'no talk' obligations under the Implementation Deed, Viralytics must promptly inform MSD of that fact and give MSD details of the relevant proposal and identity of the bidder.

Right to match

Viralytics must, before entering into an agreement in respect of a competing third party proposal:

(a) decide that the proposal is a Superior Proposal and that failing to respond would result in a breach of the fiduciary duties of its Directors;

(b) give MSD notice of its intention to enter into an agreement;

(c) give MSD details of the alternative proposal (unless it would breach Viralytics' fiduciary duties to do so); and

(d) give MSD at least five Business Days to match the alternative proposal (whether by amending the terms of the Scheme or otherwise).

Break fee

Under clause 13 of the Implementation Deed:

(a) Viralytics agrees to pay MSD $5.022 million if, at any time after the entry into the Implementation Deed and before completion of the Scheme, any of the following occurs:

    (i) Viralytics accepts or enters into, or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Transaction (as that term is defined in the Implementation Deed);

    (ii) any Director capable of making a recommendation does not recommend the Scheme or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Transaction or announces an intention to do any of these acts, other than in specified circumstances where Viralytics is entitled to terminate the Implementation Deed, or because the Independent Expert's Report concludes

that the Scheme is not either fair and reasonable or in the best interest of the Target Shareholders;

(iii) a Competing Transaction is announced, made or becomes open for acceptance before the Second Court Date and, whether before or within three months of the termination of the Implementation Deed under that Competing Transaction, the relevant bidder acquires a relevant interest in more than 50% of all the Viralytics Shares and that Competing Transaction is (or becomes) free from any defeating conditions, or the relevant bidder acquires all or a substantial part of the assets of Viralytics, or the relevant bidder otherwise acquires or merges with Viralytics (including by way of reverse takeover bid); or

(iv) MSD terminates the Implementation Deed because Viralytics is in material breach of its obligations under the Implementation Deed;

(b) MSD agrees to pay Viralytics $5.022 million if, at any time after the entry into the Implementation Deed and before completion of the Scheme, Viralytics terminates the Implementation Deed because MSD is in material breach of its obligations under the Implementation Deed; and

(c) the reimbursement of costs by a party to the applicable recipient must be made within 10 Business Days of receipt of a written demand for payment by the recipient.

The parties have agreed on the amount of $5.022 million as a genuine and reasonable pre-estimate of costs that each party will suffer if the Scheme does not proceed.

8.6 Termination

The Implementation Deed may be terminated at any time before 8.00am on the Second Court Date in certain circumstances, including by either Viralytics or MSD if:

(a) the Scheme has not become Effective on or before the Sunset Date, provided that a party (**Relevant Party**) will not be entitled to terminate the Implementation Deed in such circumstances, if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

(i) a breach of the Implementation Deed by the Relevant Party; or

(ii) a deliberate act or omission of the Relevant Party (that is not permitted by the Implementation Deed);

(b) the other party is in material breach of the Implementation Deed, taken in the context of the Scheme as a whole, provided that either MSD or Viralytics (as the case may be), has, if practicable, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after the time such notice is given;

(c) the Scheme resolution submitted to the Scheme Meeting is not approved by the requisite majorities;

(d) a Court or other regulatory authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;

(e) a consultation or appeal process in accordance with clauses 3.10 or 16.1 of the Implementation Deed does not result in a resolution;

(f) the other party or any of their related bodies corporate becomes insolvent; or

(g) it is agreed to in writing by MSD and Viralytics.

The Implementation Deed may be terminated at any time before 8.00am on the Second Court Date by MSD if any member of the Board changes his or her recommendation to the Scheme Shareholders that they vote in favour of the resolution to approve the Scheme, including any adverse modification to his or her recommendation, or otherwise makes a public statement indicating that he or she no longer supports the Scheme.

8.7 Sunset Date

Viralytics and MSD have committed to implement the Scheme on or before the Sunset Date, being 31 July 2018. If the Scheme is not effective by the Sunset Date, either Viralytics or MSD may terminate the Implementation Deed in which case the Scheme will not proceed.

8.8 Deed Poll

Under the terms of the Deed Poll, MSD agrees in favour of those persons who hold Scheme Shares at the Record Date to observe and perform all obligations under the Scheme which relate to it, including the obligation to pay the Scheme Consideration under the terms of the Scheme.

A copy of the signed Deed Poll is at Annexure D.

9 Additional information

9.1 Interests of Directors

Except as set out below, no Director has any material interest in the Scheme.

Viralytics securities

The table below sets out the interests of each Director in Viralytics Shares and Viralytics Options as at the date of this Scheme Booklet:

Director	Viralytics Shares	Viralytics Options	% voting power in Viralytics
Mr Paul Hopper	180,106	1,032,000	0.06
Dr Leonard Post	200,000	800,000	0.07
Dr Malcolm McColl	1,200,000	5,400,000	0.43
Mr Peter Turvey	420,894	666,667	0.15
Total	**2,001,000**	**7,898,667**	**0.71**

The table includes Viralytics securities in which the Directors have a relevant interest or an interest because those securities are held by close family members or an entity the Director controls.

MSD Parent and MSD securities

There are no marketable securities of MSD Parent or MSD held by or for any Directors at the date of this Scheme Booklet.

Payments or other benefits to Directors, secretaries or executive officers

No payment or other benefit is proposed to be made or given to any Director, secretary or executive officer of Viralytics or of its related bodies corporate as compensation for loss of, or as consideration for their retirement from, office in Viralytics or any related bodies corporate.

Agreements or arrangements with Directors

Other than Dr Malcolm McColl potentially remaining as a Director, there are no other agreements or arrangements made between any Director and another person, including MSD Parent or MSD, in connection with or conditional upon the outcome of the Scheme.

Interests of Directors in contracts entered into by MSD Parent or MSD

Except as set out below, no Director has any interest in a contract entered into by MSD Parent or MSD.

9.2 MSD Parent and MSD's relevant interests in Viralytics Shares

At the date of this Scheme Booklet:

(a) no Viralytics Shares are held by or for any MSD Parent or MSD directors;

(b) neither MSD Parent nor MSD have a relevant interest in any of the Viralytics Shares on issue; and

(c) neither MSD Parent nor MSD has voting power in Viralytics.

9.3 Dealings in Viralytics Shares

Other than as specified in the Implementation Deed, during the period of four months ended on the day immediately before the date of this Scheme Booklet, neither MSD nor any associate has:

(a) given or agreed to give, consideration for any Viralytics Shares under a purchase or agreement; or

(b) given or offered to give or agreed to give a benefit to another person if the benefit was likely to induce the other person, or an associate, to:

(i) vote in favour of the Scheme; or

(ii) dispose of Viralytics Shares,

and the benefit has not been offered to all Viralytics Shareholders.

9.4 Viralytics Options

Viralytics Optionholders cannot participate in the Scheme unless they exercise their Viralytics Options and have their names entered on the Viralytics Shareholder register before the Record Date. There is no separate scheme of arrangement for Viralytics Optionholders.

Viralytics will make an offer to each Viralytics Optionholder to enter into a cancellation deed in respect of their options (**Option Cancellation Deed**) prior to the Second Court Date.

MSD will, in consideration of the cancellation of each Viralytics Option held by a Viralytics Optionholder, on the Implementation Date, provide Viralytics with sufficient funds to pay, or at the direction of Viralytics pay, to each Viralytics Optionholder the consideration payable under the terms of each Optionholder Cancellation Deed.

9.5 Viralytics Performance Rights

The terms of each Viralytics Performance Right will be amended so as to vest by no later than the Record Date, subject to the Scheme becoming Effective.

9.6 Consents to be named

Deloitte Corporate Finance Pty Limited (**Independent Expert**) has consented to the inclusion of the Independent Expert's Report at Annexure A and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each reference is included and has not withdrawn that consent before the date of this Scheme Booklet. Other than in respect of the Independent Expert's Report and any other statements attributed to the Independent Expert, the Independent Expert has not authorised or caused the issue of this

Scheme Booklet, and has not made, or purported to make, any statement in this Scheme Booklet.

Lazard Pty Ltd (**Lazard**) has given and has not withdrawn its consent to be named as financial adviser to Viralytics in the form and context in which it is named and has not withdrawn that consent before the date of this Scheme Booklet. Lazard has not authorised or caused the issue of this Scheme Booklet, and has not made, or purported to make, any statement in this Scheme Booklet.

McCullough Robertson has given and has not withdrawn its consent to be named as legal adviser to Viralytics in the form and context in which it is named and has not withdrawn that consent before the date of this Scheme Booklet. Other than in respect of those statements attributed to McCullough Robertson, McCullough Robertson has not authorised or caused the issue of this Scheme Booklet, and has not made, or purported to make, any statement in this Scheme Booklet.

MSD Parent and MSD have consented to the inclusion of the MSD Information in the form and context in which that information appears and has not withdrawn that consent before the date of this Scheme Booklet. Other than in respect of those statements attributed to MSD, MSD has not authorised or caused the issue of this Scheme Booklet, and has not made, or purported to make, any statement in this Scheme Booklet.

Lepu Medical Group has given and has not withdrawn its consent to be named as a substantial shareholder of Viralytics in the form and context in which it is named and has not withdrawn that consent before the date of this Scheme Booklet. Other than in respect of those statements attributed to Lepu Medical Group, it has not authorised or cause the issue of this Scheme Booklet, and has not made, or purported to make, any statement in this Scheme Booklet.

9.7 Information lodged with ASIC

Viralytics continuous disclosure

Viralytics is an ASX listed public company and a 'disclosing entity' for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations. As a listed company, Viralytics is also subject to the Listing Rules, which require (subject to limited exceptions) continuous disclosure to the market of any information of which Viralytics is aware that a reasonable person would expect to have a material effect on the price or value of its securities.

Documents lodged with ASIC about Viralytics may be obtained from, or inspected at the offices of ASIC. Information publicly disclosed to ASX by Viralytics is available from ASX at www.asx.com.au (ASX code: VLA).

To obtain further information, contact your broker or financial adviser.

Viralytics documents

Viralytics will make available free of charge, to any Viralytics Shareholder who requests it before the Scheme Meeting, a copy of:

(a) the audited full year financial report of Viralytics and its controlled entities for the financial year ended 30 June 2017 (being the annual financial report most recently lodged with ASIC before this Scheme Booklet was lodged with ASIC);

(b) the reviewed half year financial report of Viralytics and its controlled entities for the period ended 31 December 2017 (being the half year financial report most recently lodged with ASX before this Scheme Booklet was lodged with ASIC); and

(c) each continuous disclosure notice given to ASX by Viralytics under Listing Rule 3.1 and section 674 Corporations Act after lodgement with ASX of the annual report referred to above and before the Scheme Meeting.

9.8 Lodgement of this Scheme Booklet

This Scheme Booklet was given to ASIC on 20 April 2018 as required by section 411(2)(b) Corporations Act.

9.9 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any Viralytics Shareholder that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A Corporations Act.

9.10 Other material information

Other than as contained or referred to in this Scheme Booklet there is no information material to the making of a decision by Viralytics Shareholders whether or not to vote in favour of the Scheme that is known to any Director and which has not previously been disclosed to Viralytics Shareholders.

9.11 Supplementary information

Viralytics will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Scheme Meeting:

(a) a material statement in this Scheme Booklet is false or misleading;

(b) a material omission from this Scheme Booklet;

(c) a significant change affecting a matter included in this Scheme Booklet; or

(d) a significant new matter has arisen that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Viralytics may circulate and publish any supplementary document by:

(a) approaching the Court for a direction as to what is appropriate in the circumstances;

(b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;

(c) posting the supplementary document on Viralytics' website; or

(d) making an announcement to the ASX.

Disclosure as to the outcome of conditions precedent to the Scheme and progress with any clinical trials, which would require disclosure under the continuous disclosure obligations set out in Listing Rule 3.1, will be addressed by announcement to the ASX.

9.12 Relief obtained

ASX Listing Rule relief

Viralytics has obtained a waiver of Listing Rule 6.23.2 from ASX for the purposes of the Viralytics Options and Viralytics Performance Rights. Listing Rule 6.23.2 requires that shareholder approval of Viralytics be obtained for the cancellation of options for consideration.

ASIC relief from Corporations Act requirements

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires that an explanatory statement include a statement whether, within the knowledge of the directors of the company the subject of the scheme of arrangement, the financial position of the company has materially changed since the date of the last balance sheet laid before shareholders in general meeting or sent to shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change.

ASIC has granted Viralytics relief from complying with Regulation 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) on the basis that:

(a) Viralytics complied with Division 2 of Part 2M.3 of the Corporations Act in respect of the half year ended 31 December 2017;

(b) Viralytics discloses all material changes in its financial position occurring after the half-year ended 31 December 2017 and prior to the date of the Scheme Booklet, in this Scheme Booklet;

(c) Viralytics discloses in announcement to the market operates by ASX any material changes to its financial position that occur after the date of lodgment of this Scheme Booklet for registration with ASIC but prior to the Scheme being approved by the Court;

(d) the Scheme Booklet states that Viralytics will give a copy of the financial reports for the financial year ended 30 June 2017 and half-year ended 31 December 2017 free of charge to anyone who requests a copy;

(e) the financial report for the half-year ended 31 December 2017 can be accessed from the market operated by ASX website and Viralytics website, and will be contained in the Scheme Booklet; and

(f) the Scheme Booklet sent to Viralytics Shareholders is substantially in the form given to ASIC.

10 Glossary

Annexure	means an annexure to this Scheme Booklet.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Board	means the board of Directors.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, New South Wales or New Jersey, United States of America.
CGT	means capital gains tax.
Conditions Precedent	means the conditions precedent in clause 3 and Schedule 2 of the Implementation Deed, a summary of which are set out in section 8.2.
Corporations Act	means *Corporations Act 2001* (Cth).
Corporations Regulations	means *Corporations Regulations 2001 (Cth)* .
Court	means the New South Wales registry of the Federal Court of Australia or other court as the parties may agree.
Deed Poll	means the deed poll dated 28 March 2018 signed by MSD and at Annexure D.
Director	means a director of Viralytics (from time to time).
Effective	means, when used about the Scheme, the coming into effect, under section 411(10) Corporations Act, of the Court order made under section 411(4)(b) Corporations Act, but in any event at no time before an office copy of the Court order is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Implementation Deed	means the merger implementation deed dated 21 February 2018 between MSD and Viralytics at Annexure B.
Implementation Date	means the date which is five Business Days after the Record Date.
Independent Expert	means Deloitte Corporate Finance Pty Limited ACN 003 833 127.
Independent Expert's Report	means the report of the Independent Expert about the Scheme at Annexure A.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while Viralytics is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
MSD	means Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245.
MSD Group	means MSD Parent and its subsidiaries.

MSD Information	means information in sections 5, 9.2 and 9.3.
MSD Parent	means Merck & Co., Inc.
Notice of Scheme Meeting	means the notice of meeting for the Scheme Meeting at Annexure E.
Record Date	means 5.00pm on the date which is five Business Days after the Effective Date.
Related Entity	means, for an entity or individual, any entity or individual (as applicable) which is related to that entity within the meaning of section 9 Corporations Act or which is an economic entity (as defined in any accounting standard in force under section 334 Corporations Act) that is controlled by that entity or individual (as applicable) (as 'control' is defined in section 50AA Corporations Act).
Scheme	means the proposed acquisition of Viralytics Shares by MSD under the scheme of arrangement at Annexure C.
Scheme Booklet	means this scheme booklet, issued under section 412 Corporations Act.
Scheme Consideration	$1.75 cash for each Viralytics Share that is held by the Scheme Shareholder at the Record Date.
Scheme Consideration Trust Account	means the trust account to be operated by Viralytics as trustee for the Scheme Shareholders for the purpose of paying the Scheme Consideration to each Scheme Shareholder.
Scheme Meeting	means the meeting of Viralytics Shareholders, ordered by the Court to be convened under section 411(1) Corporations Act to consider and if thought fit approve the Scheme.
Scheme Share	means a fully paid ordinary share in the capital of Viralytics, on issue on the Record Date.
Scheme Shareholder	means a person who is the registered holder of one of more Scheme Shares.
Second Court Date	means the first day on which the Second Court Hearing is heard or if the hearing is adjourned for any reason, the first day of the adjourned hearing.
Second Court Hearing	means the hearing of an application made to the Court for an order approving the Scheme under section 411(4)(b) Corporations Act.
Subsidiary	has the meaning given to that term in section 9 Corporations Act.
Sunset Date	means 31 July 2018.
Superior Proposal	has the meaning given to that term in clause 1.1 of the Implementation Deed.
Viralytics	means Viralytics Limited ACN 010 657 351.
Viralytics Information	means the information in this Scheme Booklet, other than the MSD Information and the Independent Expert's Report.
Viralytics Material Adverse Change	has the meaning given to that term in clause 1.1 of the Implementation Deed.

Viralytics Option	means an option over an unissued Viralytics Share.
Viralytics Optionholder	means each person who is the registered holder of Viralytics Options.
Viralytics Performance Right	means a right to take up a specified number of Viralytics Shares on satisfaction of specified performance conditions.
Viralytics Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Implementation Deed.
Viralytics Share	means a fully paid ordinary share in the capital of Viralytics.
Viralytics Shareholder	means a person who is the registered holder of Viralytics Shares.
VWAP	means volume weighted average price.

Annexure A

Independent Expert's Report

Deloitte.

Viralytics Limited

Independent expert's report and Financial Services Guide

13 April 2018

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing the FSG to you?

Deloitte Corporate Finance Pty Limited (AFSL 241457) has been engaged by Viralytics Limited to prepare an independent expert's report (our Report) in connection with the proposed acquisition of 100% of the shares in Viralytics Limited by a wholly-owned subsidiary of Merck & Co, Incorporated, by way of a scheme of arrangement. Viralytics Limited will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately AUD 120,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Proposed Scheme.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).

FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte.

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The Directors
Viralytics Limited
Suite 305, Level 3, 66 Hunter Street
Sydney
NSW, 2000.

13 April 2018

Dear Directors

Re: Independent expert's report

Introduction

On 21 February 2018, Viralytics Limited (Viralytics or the Company), together with Merck & Co, Incorporated (MSD Parent), announced a proposal under which a wholly owned subsidiary of MSD Parent, Merck Sharp & Dohme (Holdings) Pty Ltd (MSD), would acquire 100% of the shares in Viralytics by way of a scheme of arrangement between Viralytics and its shareholders (the Proposed Scheme). If the Proposed Scheme is approved, holders of Viralytics shares (Shareholders) will receive consideration of AUD 1.75 per share in Viralytics upon completion, which is expected to occur in June 2018.

Upon completion of the Proposed Scheme, Viralytics would become a wholly owned subsidiary of MSD and would subsequently be delisted from the Australian Securities Exchange (ASX). The Board of Viralytics have prepared a scheme booklet containing the detailed terms of the Proposed Scheme (the Scheme Booklet) and an overview of the Proposed Scheme is provided in Section 1 of our detailed report.

Purpose of the report

Section 411 of the Corporation Act 2001 (Section 411) regulates schemes of arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report in respect of the Proposed Scheme is not required to meet any statutory obligations, the directors of Viralytics (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of Shareholders.

This independent expert's report has been prepared in a manner consistent with Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) (Part 3) to assist Shareholders in their consideration of the Proposed Scheme. We have prepared this report having regard to Part 3 and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in the Scheme Booklet to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof,

undertakes responsibility to any person, other than the Shareholders and Viralytics, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of an expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts.

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act 2001 (Section 640) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company.

The Viralytics shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a share in Viralytics has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of a share in Viralytics with the value of the consideration to be received from MSD. We have assessed the value of each share

in Viralytics by estimating the current value of Viralytics on a control basis and dividing this value by the diluted number of shares on issue (being the number of shares on issue after allowing for the conversion of vested performance rights).

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- any significant shareholdings in Viralytics
- the likely market price and liquidity of shares in Viralytics in the absence of the Proposed Scheme
- other benefits available to MSD upon achieving 100% ownership of Viralytics
- any special value of Viralytics to MSD
- the value to an alternative bidder and the likelihood of an alternative offer being made
- other implications associated with Viralytics shareholders rejecting the Proposed Scheme.

Summary and conclusion

In our opinion the Proposed Scheme is fair and reasonable and therefore in the best interests of Shareholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Scheme is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Scheme is fair, the independent expert is required to compare the fair market value of a share in Viralytics on a control basis with the fair market value of the consideration under the Proposed Scheme. The Proposed Scheme is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a share in Viralytics with the consideration offered by MSD.

Table 1

	Low (AUD)	High (AUD)
Estimated fair market value of a share in Viralytics (Section 4.6)	1.40	1.73
Estimated fair market value of consideration offered (Section 1.1)	1.75	1.75

Source: Deloitte Corporate Finance analysis

The consideration offered by MSD is above the range of our estimate of the fair market value of a share in Viralytics. Accordingly, it is our opinion that the Proposed Scheme is fair.

Key risks affecting the valuation of Viralytics

The Viralytics business is subject to a number of significant risks that could affect the value of the Company. Principal amongst these are the risks associated with the development of the CAVATAK technology, including technical risks relating to the safety and efficacy of CAVATAK in combination with other products, financing risks, recruitment challenges particularly with undertaking a Phase 3 clinical trial and the risk of significant competition if the technology reaches the market. Whilst the risks associated with passing clinical trials are reflected in the probability adjustments applied to projected

cash flows, the other key risks are not and have been factored in either through our selected discount rate or our consideration of sensitivity analysis.

In respect of the financing risks, it could be argued that the commercialisation mechanism adopted by Viralytics could mitigate this risk, by establishing upfront milestone payments (and a trailing royalty) to potentially assist with the R&D costs associated with Phase 3 and any subsequent clinical trials. Whilst we have modelled a particular scenario for licensing, involving a combination of upfront and milestone payments and an ongoing royalty, it would be reasonable to assume that an economically equivalent arrangement could be established that would confer on Viralytics a different combination of payments.

However, the risks posed by the intensity of competition, both for suitable patients during the clinical trial phase and for market share once the relevant approvals have been granted, remain significant. We have sought to reflect these risks through the assumptions adopted in our discounted cash flow valuation, namely, the development period assumption, which allows for potential delays due to recruitment challenges; the market penetration assumptions, which allow for the significant competition that is expected as the numerous oncolytic immunotherapies, that are currently undergoing clinical trials at various stages, enter the market. We have also sought to reflect these risks in our adopted discount rate, which has been selected with reference to other oncolytic immunotherapy businesses.

The magnitude of the impact of these risks remains unknown and as there is a broad range of possible outcomes, there is likely to be a broad range of views as to those potential outcomes and therefore a potentially wide valuation range. Our valuation, which has been developed in collaboration with Acuity Technology Management Pty Limited (Acuity), a specialist in the biotechnology industry, and based on information provided by Viralytics management, seeks to reflect our view in respect of these risks. Others may have different views that may result in substantially different valuation outcomes.

Valuation of Viralytics

We have estimated the fair market value of Viralytics by applying the probability weighted discounted cash flow method, which estimates the value of Viralytics by discounting its estimated probability weighted future cash flows to their present value.

The probability weighted discounted cash flow method requires the determination of an appropriate discount rate and the projection of probability weighted future cash flows. We selected a nominal after tax discount rate in the range of 14.0% to 15.0% to discount the estimated probability weighted future cash flows of the business of Viralytics to their present value.

We engaged Acuity to prepare separate projected cash flows for Viralytics based on information provided by Viralytics management and other independent research carried out by Acuity. The projected cash flows prepared by Acuity formed the basis for our valuation of Viralytics. We have undertaken work to assess whether the financial projections and the underlying model are suitable for the purpose of assessing the fairness and reasonableness of the Proposed Scheme.

Our valuation of a share in Viralytics is set out in the table below.

Table 2

	Unit	Low	High
Enterprise value (on a control basis)	AUD million	338.0	428.0
Net cash position[1]	AUD million	53.0	53.0
Equity value (on a control basis)	**AUD million**	**391.0**	**481.0**
Diluted number of shares on issue[2]	million	278.4	278.4
Value per share in Viralytics (on a control basis)	**AUD**	**1.40**	**1.73**

Source: Deloitte Corporate Finance analysis
Notes:
1. As at 28 February 2018
2. As per Appendix 3B issued on 10 January 2018 and assuming that all performance rights vest and are converted to shares.

The above values are highly sensitive to the discount rate, peak market penetration, treatment prices, and probability of success at each development hurdle assumed in the discounted cash flow valuation of Viralytics. Our sensitivity analysis is discussed in further detail in Section 4.6. As such, we do not consider the wide valuation range unreasonable.

Valuation cross-checks

We have cross-checked our valuation under the probability weighted discounted cash flow method by considering recent comparable transactions which are somewhat comparable. Further details of the valuation cross checks are set out in Section 4.7.

Whilst we consider this cross check to be relatively weak in comparability due to differences in development stages and addressable markets, we consider it does not controvert our valuation of Viralytics based on the probability weighted discounted cash flow method.

The Proposed Scheme is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Scheme.

Shareholders are receiving a significant premium to the share price of Viralytics prior to the announcement of the Proposed Scheme

The consideration of AUD 1.75 per share represents a substantial premium to recent trading prices per share prior to the announcement of the Proposed Scheme.

The one-month volume weighted average price (VWAP) of shares in Viralytics up to 20 February 2018 (being the day prior to Viralytics announcing the Proposed Scheme) was AUD 0.70, the three month VWAP was AUD 0.66 and the one year VWAP was AUD 0.83. Accordingly, the consideration represents a premium to trading in Viralytics shares prior to the announcement of the Proposed Scheme of between 110% and 164%.

Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. We have undertaken a study of control premiums paid in Australian biotechnology transactions and note that one-month control premiums for these transactions are in the range of 29% to 74%. We have also considered international transactions for which the one-month control premiums are in the range of 21% to 482%. The control premiums implied by the offer are within the empirically observed range.

Certainty of the cash consideration

The Proposed Scheme represents an opportunity for Shareholders to realise their investment in Viralytics with the certainty of the cash consideration offered under the Proposed Scheme and without incurring any transaction costs. The underlying assets of Viralytics are subject to substantial risks, particularly in respect of development and progression through clinical trials, obtaining sufficient funding for clinical trial, gaining access to patients for clinical trials and competition once the technology reaches the market. Whilst we have sought to reflect the risks in our valuation, the impact of these risks on the value of Viralytics, should they eventuate, could be significant. The Proposed Scheme enables Shareholders to exit their investment and avoid many of the risk factors affecting the future profitability of the business.

The existing capital structure has a large shareholding blocks and the free float of shares is relatively thinly traded on the ASX. Consequently, Shareholders may face limited opportunities to achieve liquidity in respect of their shares in Viralytics. The cash consideration offered under the Proposed Scheme provides Shareholders with access to liquidity at a substantial premium to prices at which the shares were trading prior to the announcement of the Proposed Scheme.

No alternative offer has emerged to date

The Proposed Scheme was announced by Viralytics on 21 February 2018. Since then, no alternative proposals for Viralytics have emerged and no new investors have emerged as holders of a substantial interest in Viralytics.

In the absence of the Proposed Scheme, shares in Viralytics would likely trade below current levels

In the absence of the Proposed Scheme or an alternative transaction, shares in Viralytics would likely trade below the prices achieved since the announcement of the Proposed Scheme. The current share price of Viralytics reflects market expectations of the Proposed Scheme proceeding and is likely to include a premium for control. In the absence of the Proposed Scheme or an alternative transaction, we would expect shares in Viralytics to trade at a value consistent with our valuation of a share in Viralytics after allowing for an appropriate discount for lack of control. However, recognising the low liquidity in the trading of Viralytics shares on the ASX, the trading price could fall further to levels more in line with share trading prior to the announcement of the Proposed Scheme.

Inability to participate in the future growth potential of Viralytics

Our valuation of Viralytics recognises the potential future growth of the business based on our consideration of the potential future earnings it could derive from the development of its product portfolio. In particular, our valuation is premised on various assumptions relating to the probability of success of clinical trials and the potential market position of the products that Viralytics could achieve. However, if Viralytics is able to generate additional earnings beyond those contemplated in our valuation, for example, through the development of products to treat different types of cancer or through different modes of delivery or in combination with different oncolytic immunotherapies, the value of a share in Viralytics may be enhanced, perhaps significantly, to a value that may exceed the cash consideration offered under the Proposed Scheme.

Conclusion on reasonableness

As the Proposed Scheme is fair, it is also reasonable.

Other matters

Taxation

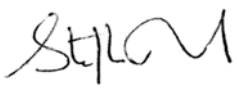
Implementation of the Proposed Scheme may trigger tax consequences for Shareholders. The taxation consequences of the Proposed Scheme for Shareholders will depend on the personal taxation and financial circumstances of each Shareholder. We recommend Shareholders consider consulting an independent adviser who will have regard to their individual circumstances.

Opinion

In our opinion, the Proposed Scheme is fair and reasonable to Shareholders. It is therefore in the best interests of Shareholders. An individual Shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Stephen Reid
Authorised Representative
AR Number: 461011

Tapan Parekh
Authorised Representative
AR Number: 461009

Glossary

Reference	Definition
$ or AUD	Australian dollars
Acuity	Acuity Technology Management Pty Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
β	Beta
BMS	Bristol-Myers Squibb Company
Cascadian	Cascadian Therapeutics, Inc
CAPM	Capital Asset Pricing model
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
The Directors	Directors of Viralytics
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMRP	Equity Market Risk Premium
FSG	Financial Services Guide
FOS	Financial Ombudsman Service
FY	Financial year ended 30 June
Gilead	Gilead Sciences, Inc.
HY	Half year
IBIS	IBIS World Pty Limited
Iovance	Iovance Biotherapeutics, Inc.
K_d	Cost of debt
K_e	Cost of equity capital
the Model	the financial model prepared by Acuity setting out the probability weighted cash flows of Viralytics
MSD Parent	Merck &Co, Incorporated
MSD	Merck Sharp & Dohme (Holdings) Pty Ltd
n/m	Not meaningful
NewLink	NewLink Genetics Corporation
Proposed Scheme	a proposal under which MSD would acquire 100% of the shares in Viralytics by way of a scheme of arrangement between Viralytics and its shareholders
R_f	Risk free rate of return
R_m	Expected return on the market portfolio
RoW	Rest of the world
SBBI	Stocks, Bonds, Bills and Inflation Yearbook
the Scheme Booklet	Detailed terms of the Proposed Scheme
Shareholders	Existing holders of Viralytics shares
USD	United States dollars
Viralytics or the Company	Viralytics Limited
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

Contents

1 Overview of the Proposed Scheme

1.1 Summary

On 21 February 2018, Viralytics together with MSD Parent, announced the Proposed Scheme. If the Proposed Scheme is approved, Shareholders will receive consideration of AUD 1.75 per share in Viralytics upon completion, which is expected to occur in June 2018.

Full details of the Proposed Scheme are provided in the Scheme Booklet.

1.2 Key conditions of the Proposed Scheme

The Proposed Scheme is subject to the meeting or waiver of various conditions, the most significant being:

- regulatory approvals, including from Foreign Investment Review Board, ASIC and the ASX
- no 'material adverse changes' in relation to Viralytics as defined in Clause 1.1 of the Implementation Deed
- no 'prescribed occurrences' in relation to Viralytics as defined in Clause 1.1 of the Implementation Deed
- Shareholders approving the Proposed Scheme and the Proposed Scheme being approved by order of the Court in accordance with paragraph 411(4)(b) of the Corporations Act 2001 (Cth)
- the Viralytics options being cancelled and Viralytics performance rights vesting and being converted to shares
- no change in the Directors' recommendation (which is subject to Viralytics not receiving a superior proposal and us concluding that the Proposed Scheme is in the best interests of the Shareholders).

Further details are disclosed at Section 8.2 of the Scheme Booklet.

1.3 Intentions of MSD if the Proposed Scheme proceeds

MSD is a wholly owned Australian registered subsidiary of MSD Parent, a NYSE listed global health care company offering a wide range of products and services including pharmaceuticals products, animal health products and other healthcare related services.

Upon completion of the Proposed Scheme, Viralytics would become a wholly owned subsidiary of MSD and would subsequently be delisted from the ASX. Further details on the intentions of MSD are set out in Section 5.4 of the Scheme Booklet.

2 Basis of evaluation of the Proposed Scheme

2.1 Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of an expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts.

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

2.1.1 ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of section 611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

2.2 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Scheme is fair by comparing the consideration offered with the value of Viralytics on a control basis.

Our valuation of a share in Viralytics is based on the concept of fair market value, defined as the amount at which the shares in the entity valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations,

which could only be enjoyed by the special purchaser. Our valuation of a share in Viralytics has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of a share in Viralytics with the value of the consideration to be received from MSD. We have assessed the value of each share in Viralytics by estimating the current value of Viralytics on a control basis and dividing this value by the diluted number of shares on issue.

2.3 Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction to be reasonable if either:

- the offer is fair; or
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- the extent to which Shareholders are receiving a premium for control
- the likely Viralytics share price in the absence of the Proposed Scheme
- the fact that the Proposed Scheme allows Shareholders to realise their investment in Viralytics
- the value to an alternative bidder and the likelihood of an alternative offer being made
- any significant shareholdings in Viralytics
- whether any alternative proposals exist
- other implications associated with Shareholders rejecting the Proposed Scheme.

2.4 Limitations and reliance on information

This report should be read in conjunction with the declarations outlined in Appendix 5.

3 Profile of Viralytics

Viralytics is an Australian based biotechnology company focusing on the development and commercialisation of oncolytic immunotherapies in Australia and overseas. Its principal technology is based on a modified version of the common cold virus, which has demonstrated in clinical and pre-clinical trials the ability to kill cancer cells and induce a response from immune systems of patients. This therapy is designed to provide greater tolerability and efficacy to patients with cancers that are difficult to treat with current approaches.

Viralytics is listed on ASX and had a market capitalisation of AUD 471.7 million as at 10 April 2018. The company listed in 1986 as Medical Innovations Limited, later changed its name to Psiron Limited and finally changed to Viralytics in December 2006. Viralytics is headquartered in Sydney, Australia.

In this section we set out an overview of the Viralytics business and the sector in which it operates.

3.1 Overview of oncology related immunotherapies

Cancer is a significant global healthcare challenge, with approximately 19 million people expected to be living with cancer in the US by 2024[1]. In 2018, the number of new cancer cases expected to be diagnosed is approximately 1.7 million with the number of cancer related deaths expected to total approximately 600,000[2]. Incidence and prevalence figures for Australia and other developed countries are broadly similar, after allowing for population size, for most common types of cancer.

The traditional treatments for cancer have varied by cancer type, but have typically involved surgery to remove cancerous tissues, radiotherapy or chemotherapy. Whilst there have been substantial improvements in these techniques over time, yielding enhanced survival rates for patients, these therapies are burdened with serious and sometimes debilitating side-effects and are not always effective. The recent focus of cancer treatment has centred on the nature of the underlying cancer cells rather than the organs which are affected. Principal among the new cohort of oncology treatments are immunotherapies, which, in broad terms, introduce viruses to induce an immune response against the cancerous tissues. These may be particularly useful in late stage and metastatic diseases where conventional therapies fail.

Immunotherapy treatments represent a new paradigm for the treatment of cancer with the potential to supplement or replace long established treatment methods such as surgery, chemotherapy and radiotherapy, with the benefit of having fewer or less serious side-effects.

At present, immunotherapies are considered to be at the forefront of research into cancer treatment with numerous major pharmaceutical companies investing heavily in clinical trials and development. Whilst the focus on immunotherapies provides for enhanced exposure amongst potential investors for capital raising purposes, the significant volume of studies currently in progress means there is likely to be intense competition, not only for capital but also for patients to participate in clinical trials. Furthermore, there is potential that as products are ultimately approved, the market will be highly competitive and fragmented, where the products which are 'best in class' are unclear.

Checkpoint inhibitor therapy is a type of immunotherapy. KEYTRUDA, developed by MSD Parent and OPDIVO and YERVOY, both developed by Bristol Myers Squib Company (BMS) are immune checkpoint inhibitors, and have recently been approved for treatment of certain cancer types. These products are currently prescribed as monotherapies, however, there is significant research underway into the combination of these checkpoint inhibitors with other products in order to improve response rates (which currently are at 30% to 40%, and in the low teens for certain cancer types). As at May 2017, there were over 765 combinations studies involving checkpoint inhibitors underway[3].

Whilst the potential for an efficacious immunotherapy product for the treatment of cancer could be substantial, the uncertainty surrounding the development environment, particularly with respect to the competition for capital and suitable patients for clinical trial, means the competitive landscape amongst immunotherapies is subject to significant uncertainty.

[1] AIHW 2017, Cancer in Australia 2017, https://www.aihw.gov.au/getmedia/3da1f3c2-30f0-4475-8aed-1f19f8e16d48/20066-cancer-2017.pdf.aspx?inline=true

[2] Siegel, Miller & Jemal, Cancer Statistics, 2018, 4 January 2018

[3] National Cancer Institute

3.2 Key products

CAVATAK, the lead product of Viralytics, is a proprietary formulation of the common cold Coxsackievirus Type A21, currently in clinical development for late-stage melanoma, lung and bladder cancer, with potential application in a range of other cancers. Unlike conventional cancer therapies, which destroy healthy cells along with diseased ones, CAVATAK is a targeted therapy that is directed against a specific protein receptor overexpressed on cancer cells. CAVATAK has the capability to kill both local and metastatic cells through a process called cell lysis which involves the breakdown of cell structures. Furthermore, CAVATAK has demonstrated efficacy in producing an immune response from the patients.

Currently, CAVATAK is being evaluated in Phase 1 and 2 clinical trials, both as an intratumoural and intravenous agent, in melanoma, lung and bladder cancers. CAVATAK can be used as a single asset agent and in combination with immunotherapies or traditional chemotherapy due to its oncolytic and immunotherapeutic mechanisms of action. Although studies have demonstrated efficacy as a monotherapy, initial results suggest that it may not be as effective as currently approved immunotherapies. CAVATAK, as a combination therapy to improve outcomes of checkpoint inhibitors is the likely way forward, which is in line with industry-wide trends for oncolytic immunotherapies.

CAVATAK has demonstrated positive pre-clinical results when used in combination with existing checkpoint inhibitors. In the absence of the Proposed Scheme we understand that Viralytics would expect to commence a pivotal study combining CAVATAK and YERVOY, developed by BMS, in melanoma patients whose cancer has progressed following treatment with a PD-1 checkpoint inhibitor such as KEYTRUDA, developed by MSD Parent, or OPDIVO, developed by BMS.

Set out below is a summary of CAVATAK clinical trials currently in progress.

Table 3

Clinical trial	Phase	Target cancer	Combination	Highlights
KEYNOTE-200	1b	Lung and bladder	KEYTRUDA	• KEYNOTE-200 is Part B of the former STORM trial and is underway in collaboration with MSD Parent • It is fully recruited and is currently monitoring the patients on the study
MITCI	1b	Melanoma	YERVOY	• A combination trial with YERVOY • 38/60 patients enrolled • Response rate of 57%, compared to YERVOY alone of 11%[1]
CAPRA	1b	Melanoma	KEYTRUDA	• 26/50 patients enrolled • Response rate of 61%, compared to KEYTRUDA alone of 33%[1]
NSCLC	1	Lung	KEYTRUDA	• Currently recruiting
CLEVER	1b	Uveal melanoma (eye)	YERVOY	• Currently recruiting

Source: Company website
Note:
1. There are no YERVOY or KEYTRUDA monotherapy arms in the study and therefore the reference response rates are based on earlier published results from other studies.

Viralytics has announced it expects to broaden its clinical programme with trials in new oncology indications and CAVATAK combinations.

Table 4

Clinical trial[1]	Target cancer	Combination	Delivery	Last publicly announced initiation date
ITCAHN	Head and neck	KEYTRUDA	Intratumoural	Q1 2018
PaCKMAN	Melanoma	KEYTRUDA	Intravenous	Q1 2018
CAPRICE	Colorectal	TBD	Intratumoural	Q2 2018

Source: Viralytics
Note:
1. Whilst these studies have been announced and would be expected to proceed in the absence of the Proposed Scheme, management has been informed by the bidder that they are unlikely to proceed if the Proposed Scheme is implemented.

In addition, as discussed above and in the absence of the Proposed Scheme, Viralytics would expect to initiate its pivotal registration clinical trial of CAVATAK in combination with YERVOY for melanoma patients in late 2018.

Viralytics is also undertaking preclinical studies to assess CAVATAK in combination with other immunotherapy agents. These studies can potentially add value to CAVATAK towards a potential licencing, partnering or sale transaction, by expanding its commercial opportunity across a range of disease indications and drug combinations.

The key asset of Viralytics is supported by patents in relation to the proprietary formulation of the Coxsackievirus as well as methods for treating various cancers including treatment in combination with other products and formulations. These patents have varying durations to expiry with initial composition and patents set to expire within the decade and patents covering use in combination with other drugs, yet to be granted, extending to 2035. In addition, regulators in key markets provide data exclusivity terms whereby generic competitors are excluded from access to the originator's clinical data when seeking approval for their product. In the US, for example, data exclusivity applies for 12 years. In addition to these protections, Viralytics has developed proprietary knowledge and processes in relation to the synthesis of its key products. These factors provide some protection to Viralytics from competing generic manufacturers.

3.3 Capital structure and shareholders

As at 10 April 2018, Viralytics had 278.3 million ordinary shares on issue.

The following table sets out the top ten registered shareholders as at 15 March 2018. Institutional investors represent approximately 49% of Viralytics shareholders.

Table 5

Shareholder	Total shares held ('000)	% of total issued shares
Lepu Holdings Limited	36,139	13.0%
Quest Asset Partners Pty. Ltd.	15,920	5.7%
Karst Peak Capital Limited	12,880	4.6%
Morgan Stanley & Co. International Plc	12,555	4.5%
Oddo BHF Asset Management S.A.S	12,517	4.5%
OrbiMed Advisors, LLC	12,000	4.3%
Baker Bros. Advisors LP	10,842	3.9%
BVF Partners L.P.	8,602	3.1%
Maso Capital Partners Limited	7,500	2.7%
Abingworth Management Limited	7,415	2.7%
Subtotal of top 10 shareholders	**136,370**	**49.0%**
Total shares outstanding	**278,263**	

Source: Viralytics management

As of 15 March 2018, 14,183,667 unissued ordinary shares under options are outstanding, held by 11 optionholders and 131,500 unissued ordinary shares under performance right options are outstanding, held by 17 performance right holders.

Table 6

Date options granted	Expiry date	Weighted average exercise price (AUD)	No. of options
28-Nov-14	28-Nov-19	0.332	978,334
28-Sep-15	28-Sep-20	0.589	2,500,000
18-Nov-15	18-Nov-20	0.589	2,500,000
18-Nov-15	18-Nov-20	0.663	633,333
28-Sep-16	28-Sep-21	0.910	630,000
23-Nov-16	23-Nov-21	1.206	666,000
28-Mar-17	28-Mar-22	1.009	390,000
12-Dec-17	12-Dec-22	0.747	3,166,000
12-Dec-17	12-Dec-22	0.644	2,720,000
			14,183,667

Source: Viralytics management

3.4 Share price performance

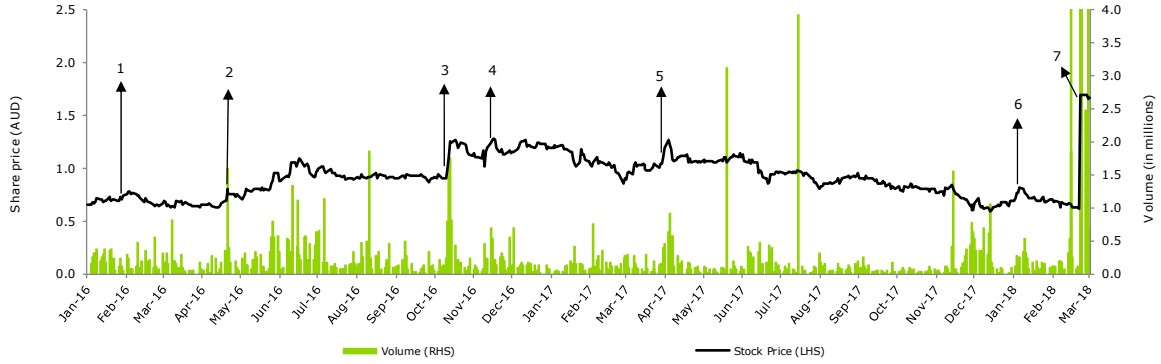
The historical performance of the securities on a quarterly basis is set out in the table below:

Table 7

Quarter end date	Low (AUD)	High (AUD)	Last trade (AUD)	Volume (m)
31-Mar-18	0.62	1.70	1.69	78.07
31-Dec-17	0.59	0.85	0.69	11.99
30-Sep-17	0.80	0.98	0.81	8.62
30-Jun-17	0.86	1.27	0.97	13.42
31-Mar-17	0.85	1.22	1.20	9.18
31-Dec-16	0.91	1.28	1.19	15.20
30-Sep-16	0.87	1.02	0.92	13.28
30-Jun-16	0.63	1.10	0.98	18.73
31-Mar-16	0.63	0.78	0.65	11.52

Source: S&P Capital IQ

Figure 1



Source: S&P Capital IQ
Notes:

1. 25 January 2016: Viralytics completed an equity offering of approximately AUD 4.0 million, representing 6.5 million shares at AUD 0.62 per share. This is in addition to the AUD 28.4 million placement at the same price, announced on 14 December 2015
2. 19 April 2016: Viralytics presented positive initial data from its ongoing clinical trial evaluating the safety and anti-cancer activity of CAVATAK in combination with the checkpoint inhibitor YERVOY in late-stage melanoma patients
3. 10 October 2016: Reported updated positive clinical data from the ongoing Phase 1b MITCI combination clinical trial and the completed Phase 1/2 CANON clinical trial
4. 14 November 2016: Viralytics announced updated positive clinical results from the ongoing Phase 1b CAPRA, CAVATAK in combination with KEYTRUDA
5. 30 March 2017: Viralytics released clinical results from the ongoing Phase 1b MITCI trial. The company subsequently invited shareholders, investors and analysts to join a conference call to detail the results
6. 05 January 2018: Lepu Medical Group of China participated in an equity placement of 36,138,637 shares at a price of AUD 0.82 per share, representing a 27% premium to the 30 day VWAP, as part of its strategic expansion into the field of cancer immunotherapy
7. 21 February 2018: Announcement of Proposed Scheme.

3.5 Financial performance

We have summarised in the table below the profit and loss statements of Viralytics for the financial year ended 30 June (FY) 2016 and FY2017 and half year (HY) statements for the period ended 31 December 2017.

Table 8

AUD '000	Audited Actual FY2016	Audited Actual FY2017	Reviewed Actual HY2018
Revenue	513	543	231
Other income - R&D incentive	4,655	6,480	5,097
R&D costs	(8,737)	(13,751)	(11,301)
Other expenses	(5,064)	(5,124)	(3,081)
EBITDA	**(8,634)**	**(11,851)**	**(9,053)**
Depreciation and amortisation	(427)	(442)	(233)
EBIT	**(9,061)**	**(12,293)**	**(9,286)**
Interest	(5)	(0.02)	(0.02)
PBT	**(9,066)**	**(12,294)**	**(9,286)**

Source: Viralytics FY17 annual report and HY report for FY18

The increase in loss is largely due to significantly increased operational expenditure, including trial costs and costs of manufacturing the drug. Offsetting this is an increase in R&D tax incentive revenue. The detailed break-up of the R&D costs is as below.

Table 9

AUD '000	Audited Actual FY2016	Audited Actual FY2017	Reviewed Actual HY2018
Clinical trials	4,296	8,100	5,710
Research and development	2,267	2,751	1,409
Manufacture - drug product	2,041	2,642	4,107
Patents and related costs	133	258	75
Total R&D costs	**8,737**	**13,751**	**11,301**

Source: Viralytics FY17 annual report and HY report for FY18

Other expenses primarily comprise employee costs, options and share-based expenses and corporate and compliance costs.

3.6 Financial position

We have summarised in the table below the audited financial position of Viralytics as at 30 June 2016 and 30 June 2017 and unaudited position as at 31 December 2017.

Table 10

AUD '000	Audited June 2016	Audited June 2017	Reviewed December 2017
Cash and cash equivalents	46,121	34,274	22,022
Trade and other receivable	4,849	6,865	11,922
Total current assets	**50,970**	**41,139**	**33,944**
Plant & equipment	79	147	192
Intangible assets	1,643	1,253	1,058
Total non-current assets	**1,722**	**1,400**	**1,250**
Total assets	**52,692**	**42,539**	**35,194**
Trade and other payables	2,364	2,949	4,056
Total current liabilities	**2,364**	**2,949**	**4,056**
Net assets	**50,328**	**39,590**	**31,138**

Source: Annual reports

We note the following:

- the cash balance increased to over AUD 50 million in January 2018 following the equity placement to Lepu Medical Group of China
- Trade and other receivables include GST receivable, prepayments, interest receivable and R&D tax refund. The balance as at 31 December 2017 is significantly higher as it includes AUD 6.4 million of R&D tax receivable in respect of the year ending 30 June 2017 which was received on 8 January 2018
- Intangible assets relate to intellectual property for patents held by the company
- Trade and other payables include trade payables, accrued expenses and employee entitlements
- As at 30 June 2017, Viralytics have accumulated losses of AUD 45.1 million for which no deferred tax asset has been recognised.

4 Valuation of Viralytics

4.1 Introduction

For the purpose of our opinion, we have referred to the concept of fair market value. Fair market value is defined as the amount at which the shares in the entities valued would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of the shares in Viralytics, and the underlying assets within the Company's portfolio, has not been premised on the existence of a special purchaser. We have not considered special value in our assessment.

We are of the opinion that the most appropriate methodology to value Viralytics is the probability weighted discounted cash flow methodology as:

- Viralytics has a number of discrete product options which are at early and different stages in the full market delivery life cycle
- Viralytics does not currently generate earnings and thus it is not possible to use a capitalisation of maintainable earnings approach
- historically, early stage projects are exposed to significant risk associated with the likelihood of success at each stage of the project's progression, which can only be adequately reflected by probability weighting the cash flows associated with the project
- significant ongoing capital expenditure will be required by Viralytics during R&D stages
- Acuity has independently prepared probability weighted long term cash flow projections in relation to Viralytics.

As a cross-check of our primary valuation methodology, we have considered recent transactions in companies involved in the development of oncolytic immunotherapy products.

Refer to Appendix 1 for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses.

4.2 Appointment and role of the specialist

In preparing this report, Deloitte Corporate Finance worked in association with Acuity, a specialist in the biotechnology sector. Acuity reviewed the technology, patents and financial model of Viralytics, and prepared separate probability weighted cash flow projections for the business and a brief report to Deloitte Corporate Finance outlining the key assumptions adopted in its projections. The projected cash flows prepared by Acuity formed the basis for our valuation of Viralytics. The scope of Acuity's work was controlled by Deloitte Corporate Finance.

Deloitte Corporate Finance has critically reviewed the probability weighted cash flow projections and report prepared by Acuity, including consideration of whether the assumptions and methodologies contemplated by Acuity are reasonable and whether the source data considered by Acuity appears appropriate in the circumstances. We consider we have reasonable grounds for relying on the work undertaken by Acuity.

In the sections below which detail the assumptions underlying our valuation of Viralytics, we have summarised or cited details from the Acuity report. Acuity has consented to our use of its work (including its report) and has reviewed drafts of our report to ensure our description of its work is fair and representative.

4.3 Overview of the model

As discussed above, Deloitte Corporate Finance engaged Acuity to prepare projections of pre-tax probability weighted cash flows in USD for Viralytics based on the applications that the Company has indicated it would consider as reasonable targets based on studies undertaken to date. Acuity agrees with the Company's assessment of this.

The probability weighted cash flow projections were prepared based on the following:

- analysis of the potential markets for the products being developed by Viralytics
- analysis of the possible routes to market for products being developed by Viralytics
- assessment of the technical and commercial risks for products being developed by Viralytics and the associated probability of, and the timeframe required for the products to reach their respective markets
- an assessment of the potential market size, market penetration and time to market for products being developed by Viralytics
- details of the likely costs Viralytics will incur in order to achieve the routes to the market, supplemented by the Company's own forecasts and budgets
- details of the potential revenues Viralytics could generate based on the addressable market and pricing through consideration of comparable oncology products and reimbursement issues
- development of a general summary of the likely revenues and expenditures of Viralytics over the forecast period
- consideration of the potential revenues and costs for Viralytics if it licenses the products and possible deal terms available for such transactions.

Acuity provided us with probability adjusted projections of revenue and expenditure over the expected duration of the patents (and other protections) of the products of Viralytics. The probability adjusted projected cash flows (the Model) formed the basis of our probability weighted discounted cash flow valuation analysis.

Acuity's work was based on information provided by Viralytics, online database searches, publicly accessible subscription services, discussions with Viralytics management and Acuity's own experience.

The analysis we have undertaken on the Model includes:

- limited analytical procedures regarding the mathematical accuracy of the Model
- holding discussions with Acuity concerning the preparation of the projections and its views regarding the assumptions on which they are based
- consideration of the potential variations to the inputs addressed through sensitivity analysis.

Deloitte Corporate Finance has made some adjustments to the cash flow projections in the Model where it was considered appropriate. These adjustments included, but were not limited to, incorporation of sensitivity analysis in respect of key parameters such as the probability of reaching a certain phase, market penetration, timing of full product production licensing deal terms, adjustments to tax calculations and inflation assumptions.

Our work did not constitute an audit or review of the projections in accordance with the Auditing and Assurance Standards Board (AUASB) (or equivalent) standards and accordingly we do not express any opinion as to the reliability of the projections or the reasonableness of the underlying assumptions. However, nothing has come to our attention as a result of our limited work that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis unless specified otherwise.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of managements' actions in implementing the plans on which the projections are based. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The key assumptions adopted in the Model are described in the following sections.

4.4 Approach to cash flow projections

There are a range of strategies available to early-stage biotechnology companies seeking to commercialise its technology. These include:

- licensing its technology to a larger pharmaceutical or biotechnology company for development and manufacture. The stage at which the technology is licensed may vary, as will the specific financial characteristics of the licensing arrangements. Typically, a licensor will seek to license its technology

following early phases of clinical trials, so that financing risks in respect of later phases of clinical trials are mitigated. The licensor will typically derive returns from licence fees, milestone payments and royalties on sales

- developing its technology on its own. This would involve the originating company undertaking all clinical trials and developing the manufacturing capability in respect of its technology. Whilst this approach, if successful, would likely yield a greater return to the company, it is also subject to greater risks, specifically relating to financing risk, development risk in respect of clinical and implementation risk in respect of manufacturing. The significant capital required for the full development for biotechnology assets means that such an approach would be atypical for an early stage biotechnology business in the absence of strong venture capital backing.

For the purpose of its development of the probability weighted cash flows for Viralytics, Acuity has contemplated a licensing arrangement in respect of the Viralytics technology. Specifically, the licensing arrangement is premised on two equal upfront payments of USD 150 million at the commencement of the Phase 3 study for the lead product combination and the commencement of sales, respectively and a 14% royalty on future sales. The upfront payments would enable Viralytics to fund its development program. Acuity has estimated these parameters based on a notional allocation of value of the Viralytics technology between Viralytics and the hypothetical licensee. Various licensing scenarios could be considered, including higher upfront and milestone payments paired with lower ongoing royalties or vice versa, but each aims to achieve the equivalent benefit split between parties.

Whilst detailed information on licensing arrangements are generally not publicly available, we have considered the following transactions which provide some evidence as to the reasonableness of the commercialisation hypothesis:

- in March 2010, Acrux Limited, an Australian listed biotechnology company, announced it had entered into a licensing agreement with Eli Lilly, a global pharmaceutical company, in respect of its product Axiron, a hormone replacement technology. Under the terms of the agreement, Acrux received an upfront payment of USD 53 million (including a transfer of manufacturing assets) and potential commercialisation milestones totalling up to USD 282 million plus royalties on futures sales of Axiron. The agreement was subsequently terminated in September 2017
- in July 2013, AstraZeneca Plc. entered into a strategic collaboration with FibroGen, Inc. to develop and commercialise roxadustat (FG-4592), an oral compound in late-stage development for the treatment of anaemia associated with chronic kidney disease and end-stage renal disease. Under the agreement, AstraZeneca agreed to pay an upfront payment and subsequent non-contingent payments totalling USD 350 million, as well as potential future development related milestone payments of up to USD 465 million, and potential future sales related milestone payments, in addition to tiered royalty payments on future sales of roxadustat in the low 20% range
- in February 2014, AstraZeneca acquired 100% of the intellectual property and global rights for the development, manufacture and commercialisation of the diabetes business from BMS. Upfront consideration was USD 2.7 billion with further payments of up to USD 1.4 billion being payable for future regulatory, launch and sales related milestones as well as various sales related royalty payments until 2025
- in 2013 and 2014, Bionomics Limited, an Australian biopharmaceutical company, entered into two partnership agreements with Merck and Co. in respect of programs targeting new treatments for pain and conditions such as ADHD, Alzheimer's disease, schizophrenia and Parkinson's disease. These partnerships entitle Bionomics to a combined value of USD 698 million including USD 20 million in upfront payments in addition to option fees, milestone payments and potential future royalty payments for sales of successfully developed products.

Based on our consideration of the foregoing, we consider the proposed commercialisation route adopted by Acuity in the cash flow projections to be consistent with both market practice and management's intentions and therefore reasonable.

We note there is a range of possible structures for milestone payments and royalties that could eventuate from commercial negotiations. To the extent that higher or lower upfront, milestone or royalty assumptions are adopted than those contemplated above, there could be an impact on value. We consider the payment structure adopted by Acuity, which has formed the basis for the cash flow projections, to be reasonable. We have set out sensitivity analysis in respect of the upfront, milestone and royalty payments in Table 13.

4.5 Key assumptions

The key assumptions adopted by Acuity in the preparation of cash flow projections for Viralytics are as follows:

- the clinical trials to be carried out by Viralytics focus on three settings:
  - Setting 1: the proposed Pivotal Study for CAVATAK in combination with YERVOY for advanced melanoma for patients for whom PD-1 checkpoint inhibitors, such as KEYTRUDA and OPDIVO were unsuccessful
  - Setting 2: CAVATAK in combination with a PD-1 checkpoint inhibitor as first line therapy in advanced non-small cell lung cancer
  - Setting 3: CAVATAK in combination with a PD-1 checkpoint inhibitor in advanced bladder cancer.

  Other settings and clinical indications were also contemplated but not explicitly valued.
- Viralytics receives an upfront payment of USD 150 million at the commencement of Phase 3 in respect of Setting 1, with a milestone payment of USD 150 million to be paid when sales commence, together with a royalty of 14% of sales on initial and subsequent settings
- the expected timeframe required to complete each trial phase for each setting
- the initial focus of Viralytics is on the US market with expansion into Europe and rest of the world (RoW) thereafter
- treatment pricing, market size, annual growth in incidence and peak market penetration for each setting assumptions as set out in the following table:

Table 11

	Treatment price per patient (USD) (2018 real)	Initial market size (addressable market) (2018)	Annual growth in incidence (%)	Peak market share (%)
Setting 1				
North America	80,000	7,479	3%	40%
Europe	50,000	8,955	3%	40%
RoW	40,000	4,243	2%	30%
Setting 2				
North America	80,000	150,822	1%	10%
Europe	50,000	196,654	1%	10%
RoW	40,000	129,441	2%	8%
Setting 3				
North America	80,000	19,955	(1)%	10%
Europe	50,000	32,289	(1)%	10%
RoW	40,000	13,755	0%	8%

Source: Deloitte Corporate Finance analysis

- treatment pricing is based on Acuity's view of the potential pricing for the settings having regard to:
  - pricing for checkpoint inhibitors currently on the market (such as KEYTRUDA, YERVOY and OPDIVO) which are each priced at over USD 100,000 per course of treatment
  - the likely competitive landscape which could prevail when the Viralytics settings reach the market
  - the overall treatment price when used in combination with a PD-1 or other checkpoint inhibitor, noting that a combined cost in the region of USD 200,000 could represent the upper bound for a reimbursable amount by US insurers
  - the likelihood that Europe and RoW markets would reflect substantially lower prices than the US.

- the market size assumptions are based on incidence data for the relevant cancers with adjustments to reflect the specific conditions under which the setting would be prescribed (e.g. for Setting 1, total melanoma incidence is adjusted for cancers which have progressed to stages 3b and 4 at the time of diagnosis and for whom first line PD-1 checkpoint inhibitors have been unsuccessful and patients who have relapsed in the previous 12 months, and for whom first line PD-1 checkpoint inhibitors have been unsuccessful). These assumptions have been based on Acuity's assessment of numerous sources for incidence data as well as various other studies
- market share assumptions are based on Acuity's consideration of the addressable market, and the likely market position of the settings of Viralytics. For Setting 1, the market share assumption is in the range of 30% to 40%, reflecting that the application would be for a relatively small cross-section of the overall melanoma market, where the level of competition is expected to be less significant. For Settings 2 and 3, the intensity of competition is expected to be greater and therefore a substantially lower market share assumption has been adopted
- R&D costs for the Pivotal Study are estimated at approximately USD 75 million, spread evenly over the expected three-year duration of the trial and paid for by Viralytics. Phase 2 R&D costs for Setting 2 and 3 are assumed at USD 3 million each with Phase 3 and subsequent R&D costs to be borne by the licensee. Additional costs for later phase studies, market approval filing and post-marketing surveillance are also assumed and are the responsibility of the licensee
- the projected cash flows end in 2035 for all settings, which is consistent with the expiry date of the Company's combination patent. We have not included a terminal value for these settings beyond the end of the forecast cash flows. This is consistent with the duration of the current patents, and based on the assumption that after this period, due to generic products, the settings and the technology will be obsolete. It is usual too for licences to be in force only for the period of the last to expire patent, plus any available extensions, and beyond that term, royalties cease
- the application of a 30% taxation rate on the future earnings of Viralytics, based on the Australian corporate tax rate, after allowing for the utilisation of carry forward tax losses and R&D related tax adjustments.

4.5.1 Probability adjustments to future cash flows

The cash flow projections include a probability adjustment for the likelihood of achieving the cash flows. The probability adjustment is based on the cumulative probability of progressing through the various phases of clinical trials to commercialisation.

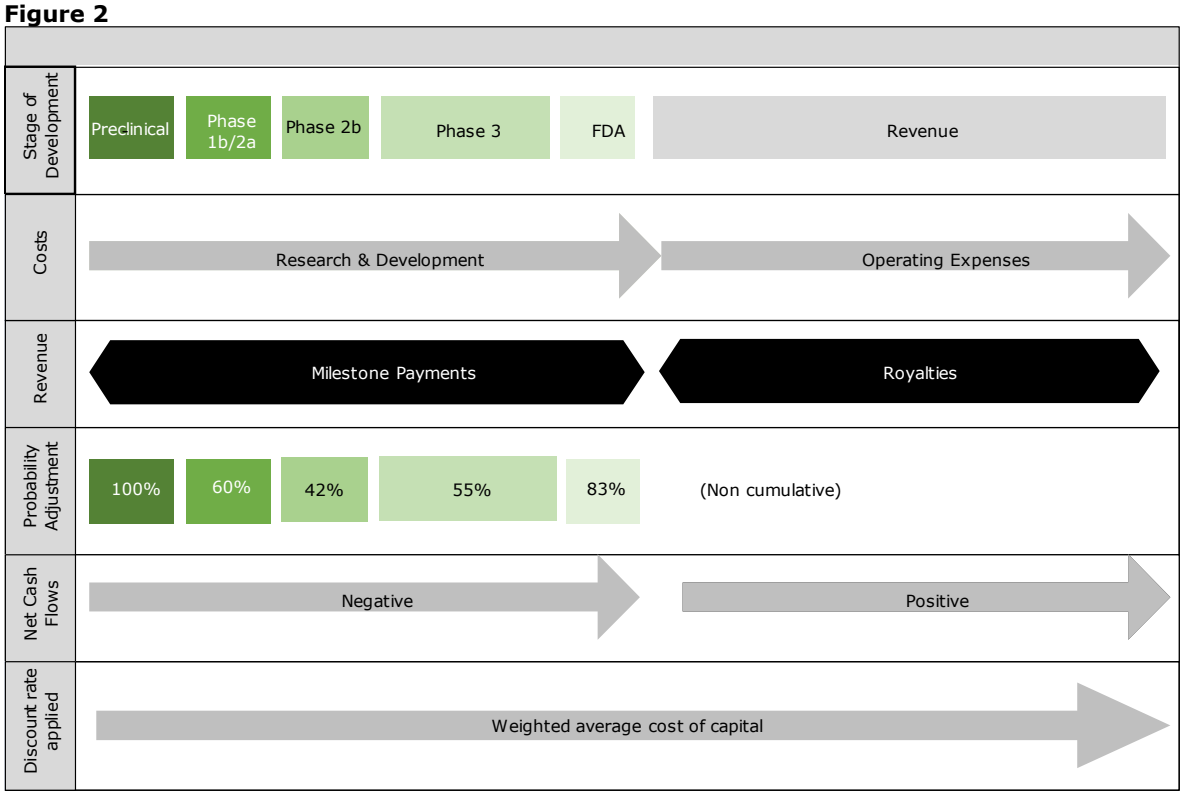
Generally, the evaluation of CAVATAK for additional indications will commence with a Phase 1b/2a combining Phase 1b and Phase 2a trials for the same treatment into a single protocol in patients diagnosed with the disease or condition for which the study drug is intended.

Thereafter, the drug is evaluated for its efficacy in a selected population of patients with the disease or condition to be treated, diagnosed or prevented in the Phase 2b trial or possibly, a Phase 3 or pivotal trial.

It is expected that studies will then progress to a Phase 3 or pivotal study, which generates the data required by regulatory agencies to decide whether to approve the treatment.

A generic overview of this consideration as well as the timing and probability of the cash flows is shown in the figure below:

Figure 2



Source: Acuity
Note:
1. The projected cash flows for Viralytics do not include any milestone payments (refer to the revenue stage in figure above) as Viralytics has not yet entered into licensing arrangements with any major pharmaceutical companies in relation to their settings. Projected cash flows are premised on Viralytics taking their settings to the FDA stage.

For Viralytics, the probability adjustments applied to projected cash flows for each trial phase of each setting varies depending on the extent of the setting's development to date, as follows:

- for settings in the Phase 1b/2b, the probability associated with passing the phase is 60%. For Setting 1, this probability has been adjusted to 90% to reflect that interim results have been positive
- for settings in Phase 3, the probability associated with passing is 55%
- once Phase 3 has been passed, the probability of obtaining FDA approval is approximately 83%.

The above rates have been based on Acuity's consideration of various published studies on success rates for clinical trials with a focus on oncology and a judgement of the particular circumstances of CAVATAK.

4.6 Valuation of Viralytics

4.6.1 Introduction

The discounted cash flow method estimates fair market value by discounting a company's future cash flows to their net present value. The projected cash flows are denominated in USD, the US being the largest and most important market. These cash flows are discounted to their present value using a USD denominated discount rate and then translated to AUD at the prevailing current exchange rate.

We have estimated the value of Viralytics using the probability weighted discounted cash flow methodology. The probability weighted discounted cash flow methodology estimates fair market value by discounting an asset's probability weighted future cash flows to their net present value. Our valuation requires consideration of the following:

- probability weighted future cash flows attributable to Viralytics. The details of the future cash flows attributable to Viralytics are set out in Section 4.5 above
- an appropriate discount rate.

Our consideration of the above, together with any valuation cross-checks we have considered, is set out in the following sections.

Valuation of Viralytics

Our valuation seeks to address a number of key risks associated with Viralytics, including technical risks associated with the Viralytics technology, financing risks and risks posed by intense competition, both for patients and other resources at the clinical trial phase and for market share in the revenue phase. We have sought to reflect these risks either through the assumptions underlying our cash flow projections or through the risk premium inherent in our selected discount rate.

These factors are discussed in the sections below.

Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate in the range of 14.0% to 15.0% to discount the future cash flows of Viralytics to their present value.

In selecting this discount rate, we have considered the following factors:

General factors

- the required rates of returns of listed companies in the biotechnology industry (having regard to their stage of development, their size and number of projects)
- the indicative rates of return required by suppliers of venture capital for investments with similar technical and commercial risks
- the risks inherent in the forecast cash flows of Viralytics.

Factors supporting a lower discount rate

- a portion of the technical risks associated with achieving the cash flows has already been taken into account by probability adjusting the cash flows
- the end markets targeted for some settings, particularly Setting 2, are large and if a project overcomes the technical and commercial hurdles then it could be extremely valuable.

Factors supporting a higher discount rate

- the size and stage of development of Viralytics compared to other listed companies in the industry
- the specific business and financing risks of Viralytics
- notwithstanding the probability adjustments made to the projected cash flows to take account of the technical risks, there still remains uncertainty with respect to market acceptance of Viralytics technology and settings particularly in light of the intense competition it is likely to face amongst other oncolytic immunotherapies. This risk is presented not only in the royalty rate Viralytics may receive but also in the volume and prices the commercialisation partner(s) of Viralytics may achieve.

A detailed consideration of these matters is provided in Appendix 2.

Sensitivity analysis

In determining the fair market value of Viralytics, we have used the probability weighted discounted cash flow method and considered a number of sensitivity scenarios with respect to the following:

- discount rate ranging from 12% to 16%
- peak market penetration
- treatment prices
- probability of success for each phase
- upfront and milestone payments
- royalty rates.

The probability weighted discounted cash flow valuation under each scenario is set out below.

Table 12

USD million	Discount rate				
	16%	15%	14%	13%	12%
Peak market penetration					
Model assumption +5.0%	336.0	362.5	392.1	425.2	462.1
Model assumption +2.5%	300.1	322.9	348.2	376.6	408.2
Model assumption	264.2	283.2	304.4	328.0	354.3
Model assumption -2.5%	228.4	243.6	260.5	279.4	300.4
Model assumption -5.0%	192.5	203.9	216.6	230.7	246.4
Treatment price					
Model assumption + USD 20,000	325.3	350.5	378.6	409.9	444.9
Model assumption + USD 10,000	294.8	316.9	341.5	368.9	399.6
Model assumption	264.2	283.2	304.4	328.0	354.3
Model assumption – USD 10,000	233.7	249.6	267.3	287.0	309.0
Model assumption – USD 20,000	203.2	216.0	230.2	246.0	263.6
Probability of success for each phase					
Model assumption +5.0%	316.3	339.9	366.3	395.6	428.4
Model assumption +2.5%	289.4	310.6	334.3	360.6	390.1
Model assumption	264.2	283.2	304.4	328.0	354.3
Model assumption -2.5%	240.7	257.7	276.5	297.5	321.0
Model assumption -5.0%	218.9	233.9	250.6	269.2	290.0

Source: Deloitte Corporate Finance analysis
Note:
1. The shaded region reflects the outcomes based on base case assumptions

Table 13

USD million	Royalty rate				
	9.0%	11.5%	14.0%	16.5%	19%
Upfront and milestone payment					
Model assumption + USD 100m	287.9	323.2	358.4	393.7	429.0
Model assumption + USD 50m	250.3	285.6	320.8	356.1	391.4
Model assumption	212.7	247.9	283.2	318.5	353.8
Model assumption – USD 50m	175.1	210.3	245.6	280.9	316.2
Model assumption – USD 100m	137.4	172.7	208.0	243.3	278.6

Source: Deloitte Corporate Finance analysis
Notes:
1. Based on a discount rate of 15%
2. The shaded region reflects the outcome based on base case assumptions

Valuation conclusion

The base assumptions in the Model and our selected discount rate range suggests a value of Viralytics in the range of USD 283.4 million to USD 304.6 million. There remains considerable uncertainty with respect to all of the factors set out above, and therefore there is likely to be a broad range of views as to those potential outcomes. We have selected a value for Viralytics in the range of USD 260 million to USD 330 million, equivalent to AUD 338 million to AUD 428 million[4]. The higher end of the valuation range exceeds that implied by the base assumptions of the valuation and we consider this could be supported by one or a combination of the following:

- greater market penetration
- higher realised prices for its settings
- more optimistic views as to the probability of success of its clinical trials
- more beneficial upfront, milestone or royalty payments
- potential upside from additional indications.

4.7 Valuation cross checks

4.7.1 Comparable transactions

We have considered comparable transactions in the biotechnology market as a cross-check to our valuation, as summarised below.

Of the transactions considered and set out in Appendix 3, the acquisitions of Cascadian Therapeutics Inc., YM BioSciences Inc., Calistoga Pharmaceuticals, Inc. and FLX Bio, Inc. are considered to be the most comparable to Viralytics. These transactions are summarised in the following table.

Table 14

					Total consideration		
Announcement date	Target	Acquirer	% acquired	Upfront (USD m)	Milestone payments (USD m)	Total (USD m)	Total (AUD m)
31-01-2018	Cascadian Therapeutics, Inc.	Seattle Genetics, Inc.	100%	614	-	614	760
23-02-2015	FLX Bio, Inc.	BMS	100%	800	450	1,250	1,601
12-12-2012	YM BioSciences Inc.	Gilead Sciences, Inc.	100%	510	-	510	484
22-02-2011	Calistoga Pharmaceuticals, Inc.	Gilead Sciences Ireland UC	100%	375	225	600	599

Source: Capital IQ, company announcements, Deloitte Corporate Finance analysis

- Cascadian Therapeutics, Inc. (Cascadian) is a biopharmaceutical company which develops therapeutic products for the treatment of cancer. Its lead product is tucatinib, an inhibitor which can be used in the treatment for multiple cancers, including breast, colorectal, ovarian and gastric cancers. It is currently in its clinical stage with an ongoing pivotal trial in relation to metastatic breast cancer. Seattle Genetics Inc. (Seattle), a biotechnology company mainly focused on developing targeted therapies for treatment of cancer, completed the 100% acquisition of Cascadian in March 2018. This acquisition is expected to enhance Seattle's existing pipeline of targeted cancer therapies, provide a third late-stage opportunity for a commercial product in solid tumours and expand their global efforts in breast cancer. Cascadian's pipeline also includes a preclinical immuno-oncology agent. Cascadian mainly targets breast cancer treatments which is a larger market than all of the cancer types currently being targeted by Viralytics, thereby supporting a higher implied value compared to Viralytics
- YM BioSciences Inc. develops haematology and cancer-related drugs. It mainly focuses on advancing its product, CYT387, an orally administered inhibitor, which could be implicated in a number of haematological and immune cell disorders as well as certain cancers. The acquisition is expected to enable Gilead Sciences, Inc (Gilead) to fully realise the potential of CYT387 since Gilead has sufficient research and development capabilities and the resources required to advance the research. The principal indication targeted by this product represents a significantly larger market than that targeted by Viralytics. It is also at a relatively more advanced stage of development

[4] Based on the USD:AUD exchange rate of 0.7702 as at 10 April 2018

- Calistoga Pharmaceuticals, Inc. develops medicines used in the treatment of cancer, allergies, autoimmune and inflammatory diseases. The company's lead product, CAL-101, is used in treatments of a variety of inflammatory and autoimmune diseases and haematological cancers. Gilead Sciences Ireland UC engages in manufacturing, packaging, and distribution of medicinal drugs. The acquisition would help in broadening its pipeline and expertise in the areas of oncology and inflammation. The cancer types targeted by this technology represent substantially larger markets than those targeted by Viralytics
- FLX Bio, Inc. (Flexus) develops anticancer immunotherapies. The purchase consideration of USD 1.2 billion included an upfront payment of USD 800 million and up to USD 450 million of additional payments subject to achievement of development milestones. The transaction will enable BMS to expand its pipeline to enhance immune responses in cancer. The technology of Flexus has applications across a range of different types of tumours and a potentially broader market reach than Viralytics.

We note that these transactions, which are somewhat comparable to Viralytics, have been acquired for total consideration in the range of AUD 484 million to AUD 1,601 million. We note however that the consideration in respect of certain of these transactions includes future milestone payments and therefore may have limited comparability to a transaction where consideration is 100% upfront. Having regard to this and the breadth of potential markets for the acquired technologies relative to Viralytics, we do not consider these transactions to controvert our selected valuation range under the probability weighted discounted cash flow approach.

4.8 Surplus assets

Viralytics has not identified any surplus assets which contribute to the future earnings of the business.

4.9 Net cash

The net cash position of Viralytics as at 28 February 2018 is AUD 53.0 million

4.10 Options and rights

We have been advised that prior to the implementation of the Proposed Scheme, Viralytics will enter into a cancellation deed with optionholders in respect of the Viralytics options on issue. In consideration for the cancellation of the Viralytics options, optionholders will receive a payment from MSD. The payment will be equal to AUD 1.75 less the exercise price of each option.

In relation to the 131,500 performance rights, the board of Viralytics must take steps to ensure that all performance rights have vested prior to the implementation of the Proposed Scheme.

4.11 Number of shares outstanding

We have adjusted the number of shares outstanding of 278.3 million to take account of the dilutive effect of the performance rights but have made no adjustment in respect of the options on issue. This is because the options are expected to be cancelled prior to the implementation of the Proposed Scheme.

The diluted number of shares on issue is 278.4 million.

Appendix 1: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses are discussed below.

Market based methods

Market based methods estimate an entity's fair market value by considering the market price of transactions in its shares or the fair market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of an entity's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on an entity's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting an entity's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of an entity's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of an entity but does not take account of realisation costs.

These asset-based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of an entity's assets are liquid, or for asset holding companies.

Appendix 2: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate also needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

$$\mathbf{WACC} = \left(\frac{\mathbf{E}}{\mathbf{V}} \times \mathbf{K_e}\right) + \left(\frac{\mathbf{D}}{\mathbf{V}} \times \mathbf{K_d} \times (\mathbf{1} - \mathbf{t_c})\right)$$

The WACC can be derived using the following formula:

The components of the formula are:

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of enterprise funded by equity

D/V = proportion of enterprise funded by debt

The adjustment of K_d by (1- t_c) reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%, in line with the Australian corporate tax rate.

Cost of equity capital (K_e)

The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the K_e for Viralytics. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta\ (R_m - R_f) + \alpha$$

The components of the formula are:

K_e = required return on equity

R_f = the risk free rate of return

R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term Government bond rate.

We have considered the yield to maturity of the zero coupon 20-year US Government bond as a proxy for the long-term risk free rate in the US. We have taken the 5-day average yield to maturity of the 20-year US Government treasury as at 10 April 2018 of 2.89%. This rate represents a nominal rate and thus includes inflation.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

Data provided by the Morningstar 'Stocks, Bonds, Bills and Inflation Yearbook' (SBBI) for 2016 was considered in estimating the EMRP. The SBBI calculates the market equity risk premium by reducing large-company stock returns by the risk-free rate of return over the period from 1926 to 2015. To match the EMRP with the risk free rate included in the CAPM, we have considered the premium calculated over the return on the long-term US Treasury strips. Further adjustments were made to the SBBI equity risk premium in order to account for the inflation in the market price to earnings ratio as well as recent declines in the risk-free rate.

In addition to the data provided by the SBBI, consideration was also given to the equity risk premium implied by the dividend discount model for a broad market index such as the Standard & Poor's 500 Index.

Based the above, we have adopted an US EMRP of 6.0%.

Beta estimate (β)

Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers or energy and resources companies), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

They can also be influenced by the index against which they have bene calculated, the time period over which they were calculated and the level of trading in the share of the relevant company. As such, in a market like Australia, immense care must be taken in the assessment of the appropriate beta.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

Market evidence

In estimating an appropriate beta for Viralytics we have considered the betas of listed companies that are comparable to the company. These betas, which are presented below, have been calculated based on weekly returns over a two year period and monthly returns over a four year period, compared to the relevant domestic index.

Table 15

Company name	Country	Enterprise value[1] (AUD million)	Debt to enterprise value (%)	Unlevered beta 2 year	Unlevered beta 4 year
Viralytics Limited	AU	444	0%	n/m	n/m
Iovance Biotherapeutics, Inc.	US	1,492	0%	1.76	n/m
ARMO BioSciences, Inc.	US	1,523	0%	n/m	n/m
Dynavax Technologies Corporation	US	1,244	0%	n/m	n/m
ZIOPHARM Oncology, Inc.	US	862	0%	1.40	1.41
Agenus Inc.	US	702	19%	2.68	1.88
Innate Pharma S.A.	France	409	0%	1.64	n/m
Five Prime Therapeutics, Inc.	US	378	0%	n/m	2.94
Corvus Pharmaceuticals, Inc.	US	281	0%	n/m	n/m
Tiziana Life Sciences PLC	UK	190	0%	n/m	n/m
Tocagen Inc.	US	182	0%	n/m	1.78
Merus N.V.	Netherlands	136	0%	n/m	n/m
Targovax ASA	Norway	98	0%	n/m	n/m
OncoSec Medical Incorporated	US	93	0%	n/m	1.95
Trillium Therapeutics Inc.	Canada	86	0%	2.16	n/m
BioInvent International AB	Sweden	73	0%	n/m	n/m
Oncobiologics, Inc.	US	60	7%	n/m	n/m
Calithera Biosciences, Inc.	US	53	0%	n/m	2.99
MabVax Therapeutics Holdings, Inc.	US	24	13%	n/m	n/m
Regeneus Ltd	AU	24	0%	n/m	n/m
OncoMed Pharmaceuticals, Inc.	US	21	0%	n/m	1.31
BriaCell Therapeutics Corp.	Canada	20	0%	n/m	n/m
Argos Therapeutics, Inc.	US	13	41%	1.80	n/m
Vaxil Bio Ltd.	Canada	13	0%	n/m	n/m
ImmunoCellular Therapeutics, Ltd.	US	4	0%	n/m	n/m
NewLink Genetics Corporation	US	-17	n/m	2.47	2.21
Iovance Biotherapeutics, Inc.	US	1,492	0%	1.76	n/m
Average			**3%**	**1.99**	**2.06**
Median			**0%**	**1.80**	**1.92**

Source: S&P Capital IQ, Deloitte Corporate Finance analysis
Notes:
1. Enterprise value as at 10 April 2018
2. Several of the betas in the table have been considered 'not meaningful' (n/m) due to very low coefficient of determination statistics.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of Viralytics. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for Viralytics we have considered the following:

- the selected comparable companies have no significant revenues and are loss making. The average debt to enterprise value ratio is nil
- the average unlevered betas for the selected comparable companies over a two year and four year period are 1.99 and 2.06, respectively
- we consider the following companies to be more comparable as these companies are involved in developing oncolytic immunotherapy products for treating patients with melanoma, similar to Viralytics
    - Iovance Biotherapeutics (Iovance) is a biotechnology company focusing on the development and commercialisation of cancer immunotherapy products. Its lead product, LN-144, is an adoptive cell therapy that is in Phase 2 clinical trials. It uses tumour-infiltrating lymphocytes, which are T-cells derived from patients' tumours for the treatment of patients with refractory metastatic melanoma. Iovance has an unlevered beta of 1.88 measured over a two year period
    - NewLink Genetics Corporation (Newlink) is a clinical stage oncolytic immunotherapy company. Its products include NIG2103, which is in Phase 2 clinical trials for treating patients with advanced melanoma and Indigo301, which is in Phase 3 clinical trials for treating patients with advanced metastatic melanoma. Newlink has unlevered betas of 2.76 and 2.38, measured over a two year and four year period, respectively
    - OncoSec Medical Incorporated engages in developing DNA-based intratumoural immunotherapies. Its key technology is expected to enhance the local delivery and uptake of DNA-based immune-targeting agents for the treatment of cancer. Its lead product, ImmunoPulse IL-12, is in Phase 1 and 2 clinical trials for metastatic melanoma and breast cancer. This product has demonstrated a favourable safety profile, evidence efficacy in anti-tumour activity in the treatment of various solid tumours and the potential to reach beyond the site of local treatment to initiate a systemic immune response. It has an unlevered beta of 2.04 measured over a four year period.

Based on our consideration of the foregoing, we have selected a levered beta of 1.90 to 2.00 for Viralytics.

Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity, K_e, as follows:

Table 16: K_e applied to valuation of Viralytics

	Low	High
R_f	2.89%	2.89%
EMRP	6.00%	6.00%
Beta	1.90	2.00
Calculated K_e	**14.29%**	**14.89%**
Selected K_e	**14.00%**	**15.00%**

Source: Deloitte Corporate Finance analysis

Debt and equity mix

Based on our analysis, early stage biotechnology companies generally have no debt. Accordingly, we have adopted a target debt to enterprise value ratio of nil for the calculation of the WACC for Viralytics.

Selected discount rate

Based on the above, we have assessed the nominal post-tax discount rate for Viralytics to be in the range of 14.0% and 15.0%.

Additional support for selected discount rate

Rates of return for early stage companies

Viralytics is a relatively early stage business with significant development required before it will be able to generate earnings. Investors in early stage companies often require higher rates of return than investors in mature companies. Venture capitalists are a common source of equity capital for early stage investments. The Australian Private Equity and Venture Capital Guide provides the following indicative guidelines for their required rates of return.

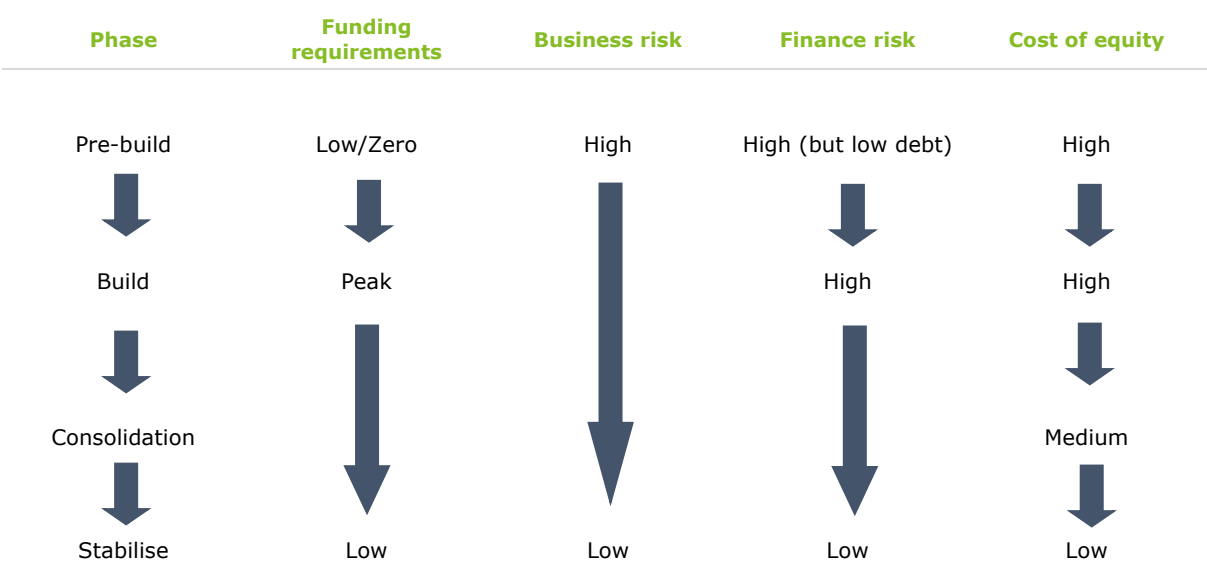
Table 17: Venture capital required rates of return

Methodology	Required rate of return
Starting a new business	30.0% to 40.0%
Expanding a business, MBOs or MBIs	20.0% to 30.0%

Source: Australian Private Equity and Venture Capital Guide 2010

These rates of return are significantly higher than those required for mature listed companies. The reason that the discount rate required for an early stage company is different to that required for a mature company is because the relationship between business risks, finance risks and the cost of equity changes as a company progresses from an early stage company to a mature company. The relationship between business risk, finance risk and cost of equity is illustrated in the following figure.

Figure 3: Business risks, finance risks and cost of equity



Source: Adapted from The Valuation of Businesses, Shares and Other Equity, 3rd edition, W Lonergan

We note that the discount rate of 14.0% to 15.0% reflects a risk neutral discount rate with the various development risks factored in through the application of probability weightings. We would expect that applying a risk-adjusted discount rate to the un-risked cash flows would produce a similar outcome to our approach. We have estimated the equivalent risk-adjusted discount rate to be in the range of 28% to 29%, which is broadly consistent with the required rates of return noted above. We consider this provides additional support for our selected discount rate.

Appendix 3: Comparable transactions

We identified the following transactions involving similar businesses:

Table 18

Announcement date	Target	Acquirer	Phase of lead drug	Indication	Upfront (USD m)	Total consideration		
						Milestone payments (USD m)	Total[1] (USD m)	Total (AUD m)[2]
31-01-2018	Cascadian Therapeutics, Inc.[3]	Seattle Genetics, Inc.	2	HER2 + Breast cancer	614	-	614	760
22-12-2017	Ignyta, Inc.	Roche Holdings, Inc.	2	Tumours with ROS1 or NTRK Fusions	1700	-	1,700	2,202
28-10-2016	Ganymed Pharmaceuticals AG	Astellas Pharma Inc.	2 Data	Gastroesophageal Cancer	461	940	1,402	1,850
05-07-2016	Cormorant Pharmaceuticals AB	BMS	1 / 2	Solid Tumours	95	425	520	696
23-02-2015	Flexus	BMS	1	Tumours	800	450	1,250	1,601
28-09-2014	Ambit Biosciences Corporation	Daiichi Sankyo Company, Limited	3	AML	315	95	410	467
19-11-2013	EOS (Ethical Oncology Science) S.p.A.	Clovis Oncology, Inc.	2 Initiated	Solid Tumour, Breast, Cancer, NSCLC	200	220	420	446
17-06-2013	Aragon Pharmaceuticals, Inc.	Janssen Research & Development, LLC	2 Data	Prostate cancer	650	350	1,000	1,048
12-12-2012	YM BioSciences Inc.	Gilead Sciences, Inc.	3 Ready	Myelofibrosis	510	-	510	484
20-12-2011	Intellikine LLC	Takeda America Holdings, Inc.	2 Initiated	Solid Tumours	190	120	310	308
22-02-2011	Calistoga Pharmaceuticals, Inc.	Nexstar Pharmaceuticals Limited (aka:Gilead Sciences Ireland UC)	2	AML, CLL, NHL	375	225	600	599
24-01-2011	BioVex, Inc.	Amgen Inc.	3	Melanoma, H&N Cancer	425	575	1,000	1,000

Source: Capital IQ, Announcements and Deloitte Corporate Finance analysis
Notes:
1. Total consideration includes both upfront payments and future milestone payments
2. In 2011, AUD and USD were roughly at parity
3. Its products under development include Indatuximab Ravtansine (BT-062) for multiple myeloma and solid tumours

Appendix 4: Control premium studies

Set out in this appendix are a number of studies and analysis we have identified in order to inform our assessment of the appropriate range of control premiums to apply. Most specifically, we maintain our own database of transactions in the Australian market and using this database we are able to calculate historical control premiums.

Deloitte database of Australian public company M&A activity

We conducted a study of premiums paid in Australian transactions completed between 1 January 2000 and 31 December 2017. Our merger and acquisition data was sourced from MergerMarket, Capital IQ and Thomson Reuters along with publicly available news and information sources. This identified 615 transactions that were completed during the period under review[5].

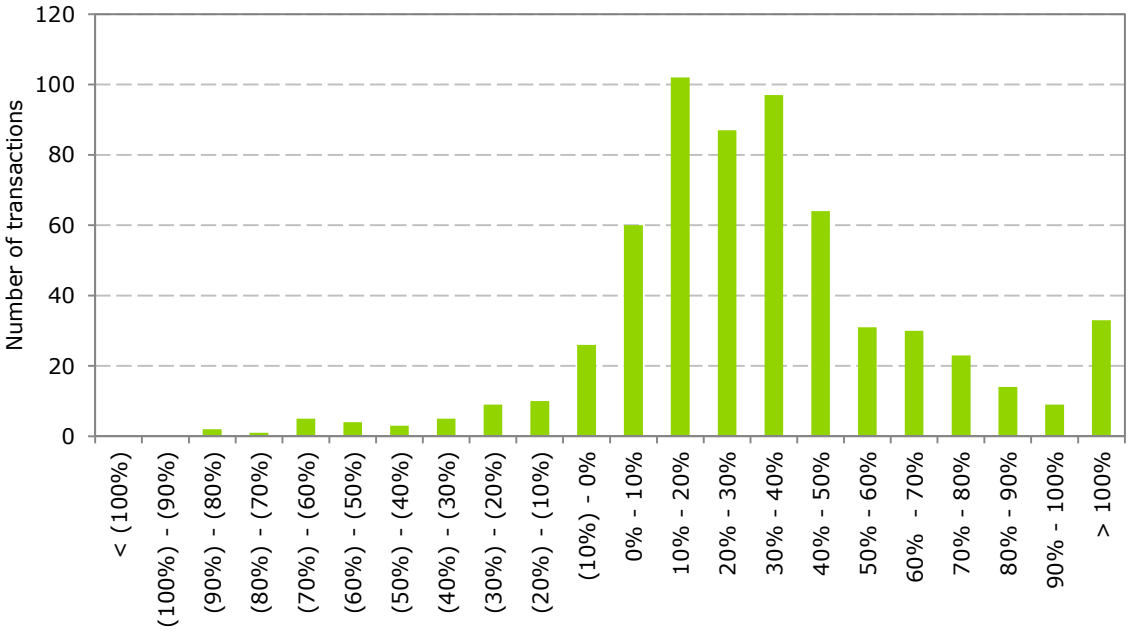
Our data set consisted of transactions where an acquiring company increased its shareholding in a target company from a minority interest to a majority stake or acquired a majority stake in the target company.

We assessed the premiums by comparing the offer price to the closing trading price of the target company one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

Summary of findings

As the following figure shows, premiums paid in Australian transactions between 1 January 2000 and 31 December 2017 are widely distributed with a long 'tail' of transactions with high premiums.

Figure 4: Control premium analysis - distribution of transactions



Source: Deloitte Corporate Finance analysis

[5] Excluding transactions where inadequate data was available.

The following table details our findings.

Table 19: Control premium analysis – overall market findings

	Control premium
Upper quartile	47%
Average	35%
Median	30%
Lower quartile	13%

Source: Deloitte Corporate Finance analysis

Set out in the table below are the control premiums for transactions in the Australian biotechnology sector:

Table 20: Control premium analysis – Australian biotechnology sector findings

	Control premium
High	74.4%
Upper quartile	63.9%
Average	51.0%
Median	49.7%
Lower quartile	37.9%
Low	29.4%

Source: Deloitte Corporate Finance analysis

As there were limited transactions in the Australian market, we have also broadened our analysis to include international transactions. The control premium observed in the sample of international transactions ranges from 21.0% to 482.1%, with an average and median of 138.4% and 83.4%, respectively.

Many of the observed control premiums below 20% are likely to have been instances where the market has either been provided with information or anticipated a takeover offer in advance of the offer being announced. Accordingly, the pre-bid share trading price may already reflect some price appreciation in advance of a bid being received, which creates a downward bias on some of the observed control premiums in our study.

Many of the observed control premiums above 40% are likely to have been influenced by the following factors which create an upward bias on some of the observed control premiums in our study:

- some acquirers are prepared to pay above fair market value to realise 'special purchaser' value which is only available to a very few buyers. Such 'special purchaser' value would include the ability to access very high levels of synergistic benefits in the form of cost and revenue synergies or the ability to gain a significant strategic benefit
- abnormally high control premiums are often paid in contested takeovers where there are multiple bidders for a target company. In such cases, bidders may be prepared to pay away a greater proportion of their synergy benefits from a transaction than in a non-contested situation
- some of the observations of very high premiums are for relatively small listed companies where there is typically less trading liquidity in their shares and they are not closely followed by major broking analysts. In such situations, the traded price is more likely to trade at a deeper discount to fair market value on a control basis.

Accordingly, the observed control premiums to share trading prices for such stocks will tend to be higher.

For the reasons set out above, we consider the control premium range of 20% to 40% to be representative of general market practice for the following reasons.

Other studies

In addition to our own analysis as set out above, we have also had regard to the following:

- a study conducted by S.Rossi and P.Volpin of London Business School dated September 2003, 'Cross Country Determinants of Mergers and Acquisitions', on acquisitions of a control block of shares for listed companies in Australia announced and completed from 1990 to 2002. This study included 212 transactions over this period and indicated a mean control premium of 29.5% using the bid price of the target four weeks prior to the announcement
- 'Valuation of Businesses, Shares and Equity' (4th edition, 2003) by W.Lonergan states at pages 55-56 that: "Experience indicates that the minimum premium that has to be paid to mount a successful takeover bid was generally in the order of at least 25 to 40 per cent above the market price prior to the announcement of an offer in the 1980s and early 1990s. Since then takeover premiums appear to have fallen slightly."
- a study conducted by P.Brown and R.da Silva dated 1997, 'Takeovers: Who wins?', JASSA: The Journal of the Securities Institute of Australia, v4 (Summer):2-5. The study found that the average control premium paid in Australian takeovers was 29.7% between the period January 1974 and June 1985. For the ten year period to November 1995, the study found the average control premium declined to 19.7% (however, we note that during this period the Australian economy went through a period of unusually weak economic growth, including a recession)
- a study conducted by A. Gilmore, G. Yates and I. Douglas of RSM dated 2017, 'Control Premium Study 2017 – Insights into market dynamics, financial dynamics and other factors', on successful takeovers and schemes of arrangement completed between 1 July 2005 and 30 June 2016 for companies listed on the Australian Stock Exchange. The study included 463 transactions (for which meaningful data was available) and indicated an average implied control premium at 20 days pre-bid of 34.5% and a median implied control premium of 27.0%.

Appendix 5: Context to the report

Individual circumstances

We have evaluated the Proposed Scheme for Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is fair and reasonable and therefore in the best interests of Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Directors and is to be included in the Scheme Booklet to be given to Shareholders for approval of the Proposed Scheme. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Viralytics, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Scheme is in the best interests of the Shareholders as a whole. Deloitte Corporate Finance consents to this report being included in the Scheme Booklet in the form and context in which it is to be included in the Scheme Booklet.

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Viralytics and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Viralytics management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Viralytics and its officers, employees, agents or advisors, Viralytics has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Viralytics may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Viralytics and its officers, employees, agents or advisors or the failure by Viralytics and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

Deloitte Corporate Finance also relied on the work undertaken by Acuity. Deloitte Corporate Finance assessed the professional competence and objectivity of Acuity and believe the work performed is appropriate and reasonable. Deloitte Corporate Finance has received consent from Acuity for our reliance on and inclusion of its work in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in the consideration of Deloitte Corporate Finance of this information consisted of enquiries of Acuity and Viralytics personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constituted an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Viralytics included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective

financial information of Viralytics referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, M App. Fin. Inv., B.Ec, CA and Tapan Parekh, B.Bus, M.Com, CA (BV Specialist), F.Fin. Each have many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Viralytics proposes to issue a disclosure document in respect of the Proposed Scheme between Viralytics and the holders of Viralytics shares (the Scheme Booklet)
- the Scheme Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet (draft Scheme Booklet) for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in Annexure A of the Scheme Booklet.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report at Annexure A of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included at Annexure A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft Scheme Booklet
- audited financial statements for Viralytics for FY15 to FY17 and the reviewed financial statements for the half year ending 31 December 2017
- annual reports for Viralytics for the year ending 30 June 2016 and 30 June 2017
- financial model prepared for Viralytics management by financial advisers
- other management reports provided by Viralytics
- probability weighted cash flow projections prepared by Acuity
- the report to Deloitte Corporate Finance prepared by Acuity
- Viralytics company website
- publicly available information on comparable companies and market transactions published by ASIC, CapitalIQ, Thomson Research, Thomson Reuters Financial markets, SDC Platinum and Mergermarket
- IBIS and industry reports
- other publicly available information, media releases and brokers reports on Viralytics and the oncolytic immunotherapy sector.

In addition, we have had discussions and correspondence with certain directors and executives, including Malcolm McColl, Chief Executive Officer; Robert Vickery, Chief Financial Officer; and Jennifer Rosenthal, Director of Quality and Regulatory Affairs; in relation to the above information and to current operations and prospects of Viralytics.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Annexure B

Implementation Deed

Lawyers | McCullough Robertson

Scheme implementation agreement

Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245

Viralytics Limited ACN 010 657 351

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000 | GPO Box 1855 Brisbane QLD 4001 Australia | **ABN** 42 721 345 951
Telephone +61 7 3233 8888 | **Fax** +61 7 3229 9949

Offices Brisbane Sydney Newcastle

www.mccullough.com.au

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Lawyers | McCullough Robertson

Scheme implementation agreement

Dated 21 February 2018

Parties

Bidder	**Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245**
	of Building A, Level 1, 26-38 Talavera Road, Macquarie Park, NSW 2113
Target	**Viralytics Limited ACN 010 657 351**
	of Suite 305, Level 3, 66 Hunter Street, Sydney, NSW 2000

Background

A The Bidder wishes to acquire all of the Target Shares by means of a scheme of arrangement under Part 5.1 Corporations Act between the Bidder and the Scheme Participants.

B At the request of the Bidder, the Target intends to propose the Scheme and issue the Scheme Booklet to the Target Shareholders.

C The Bidder and the Target have agreed to implement the Scheme on the terms and conditions of this document.

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document:

Term	Definition
Announcement	means a press release, announcement or other public statement (other than a draft explanatory statement, an explanatory statement or a supplementary explanatory statement as required under Part 5.1 of the Corporations Act).
Anti-Bribery Laws	means: (a) the Australian Criminal Code; (b) the U.S. Foreign Corrupt Practices Act of 1977; (c) the U.K. Bribery Act of 2010; (d) any applicable law promulgated to implement the OECD Convention on

Term	Definition
	Combating Bribery of Foreign Public Officials in International Business Transactions, signed on 17 December 1997; and (e) any other applicable law of similar purpose and scope in any jurisdiction, including books and records offences relating directly or indirectly to a bribe.
ASIC	means the Australian Securities & Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Authorised Officer	means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this document.
Bidder Break Fee	means an amount equal to the Break Fee payable by the Bidder to the Target under clause 13.3.
Bidder Board	means the board of directors of the Bidder.
Bidder Group	means the Bidder and its Subsidiaries.
Bidder Indemnified Parties	means the Bidder's officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.
Bidder Information	means such information regarding the Bidder and its Related Bodies Corporate that is reasonably requested by the Target or the Independent Expert and provided by or on behalf of the Bidder: (a) to the Target pursuant to clause 5.3; (b) to the Independent Expert to enable the Independent Expert's Report to be completed; (c) to the Target to enable the Scheme Booklet to be completed; and (d) to enable applications for Regulatory Approvals to be made. For the avoidance of doubt, Bidder Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date).
Bidder Representative	means Elizabeth Naldi-Jacob or such other representative nominated by the Bidder in writing to the Target.

Term	Definition
Bidder Warranties	means the warranties set out in Schedule 7.
Break Fee	means a fee of $5,022,092 being the aggregate of: (a) $1.75 per Target Share multiplied by the issued share capital of Target; and (b) the total Option Consideration payable under this document (of $15,249,115), multiplied by 1%.
Business Contract	means all agreements, leases, contracts and arrangements to which the Target or any Subsidiary of the Target is a party.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, New South Wales or New Jersey, United States of America.
Competing Transaction	means any proposal, agreement, arrangement or transaction, which, if entered into or completed substantially in accordance with its terms, would have the same effect as, or be similar in economic terms to the Scheme or any other transaction described in paragraphs (a) to (g) below arising after the date of this document: (a) a third party (either alone or with its associates) acquiring (directly or indirectly) (including by way of joint venture, alliance, dual listed company structure or otherwise) any interest in all or a substantial part of the business or assets of the Target; (b) a third party (either alone or with its associates) becoming (directly or indirectly) the holder or controller of, or otherwise acquiring, all or substantially all of the shares in the Target; (c) a third party (either alone or with its associates) acquiring Control of, or merging or amalgamating with the Target Group, including by way of takeover bid, scheme of arrangement or capital reduction or contractual arrangement; (d) the Target implementing any reorganisation of capital or dissolution; (e) a third party acquiring (whether directly or indirectly) a Relevant Interest in, or becoming the holder of, or having the right to acquire a legal, beneficial, or economic interest in, or control of, 20% or more of the Target Shares;

Term	Definition
	(f) enter into any transaction or arrangement which would cause the Directors to change their recommendation from a recommendation in favour of Scheme; or (g) any other transaction which affects, prejudices or jeopardises, or might reasonably be expected to affect, prejudice or jeopardise, the consummation of the Scheme.
Conditions Precedent	means the conditions precedent set out in Schedule 2.
Confidential Information	means: (a) the terms of this document, the parties' negotiations and information relating to the Scheme; (b) any information relating to the business and affairs of a party; (c) any information relating to the customers, clients, employees, subcontractors or other persons doing business with a party; (d) information which is by its nature confidential; (e) information which is designated as confidential by that party; or (f) information which the other party knows or ought to know, is confidential, and includes all trade secrets, knowhow, financial information and other commercially valuable information of that party.
Control	has the meaning given to that term in the Corporations Act.
Controller	has the meaning given to that term in section 50AA of the Corporations Act.
Corporations Act	means the *Corporations Act 2001* (Cth).
Corporations Regulations	means the *Corporations Regulations 2001* (Cth).
Court	means a court of competent jurisdiction under the Corporations Act.
Data Room	means the data room established by the Target, an index to which has been initialled by, or on behalf of, each of the Bidder and the Target on or prior to the date of this document as a true record of those documents contained in the data room.

Term	Definition
Deed Poll	means a deed poll substantially in the form of Annexure B to this document.
Disclosure Materials	means: (a) the documents and information contained in the Data Room or made available to the Bidder and its Representatives two Business Days prior to the date of this document; and (b) the document containing the written responses from the Target and its Representatives to requests for further information made by the Bidder and its Representatives, a copy of which has been initialled by, or on behalf of, the relevant parties for identification and delivered to the Bidder two Business Days prior to the date of this document.
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) Corporations Act, of the order of the Court made under section 411(4)(b) Corporations Act in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Encumbrance	means any one or more of the following: (a) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the *Personal Property Securities Act 2009* (Cth); (b) any preferential or adverse interest of any kind; (c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase; (d) a right to set-off or right to withhold payment of a deposit or other money; (e) an easement, restrictive covenant, caveat or similar restriction over property; (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or (g) a notice under section 255 Tax Act

Term	Definition
	(1936), subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth) or any similar legislation.
End Date	means 31 July 2018.
Exclusivity Period	means the period from and including the date of this document to the earlier of: (a) the termination of this document in accordance with its terms; (b) the Effective Date; and (c) the End Date.
Fairly Disclosed	means disclosed in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Representatives) experienced in transactions similar to the Scheme and experienced in a business similar to any business conducted by the Target Group, to identify the nature and scope, budgeted cost (if any) and the intended timing (where applicable) for implementation of the relevant matter, event or circumstance.
First Court Date	means the first day on which an application is made to the Court, in accordance with item 11 of Schedule 4, for orders under section 411(1) Corporations Act convening the Scheme Meeting to consider the Scheme is heard.
Government Agency	means: (a) a supranational, national, state, provincial, municipal or local government or government department or other fully or partially governmental-owned or governmental controlled body (including but not limited to commercial or non-profit bodies and administrative agencies); (b) a governmental, semi-governmental or judicial person or person with governmental or quasi-governmental authority or powers; or (c) a person (whether autonomous or not) who is charged with the administration of a law.
Governmental Official	includes, but is not limited to: (a) officers, employees or representatives of any national, regional, local or other Government Agency (as defined above); (b) any individual who, although temporarily or without payment, holds

Term	Definition
	a public position, employment, or function; (c) officers, employees or representatives of entities in which a Government Agency owns an interest; (d) any private person acting in an official capacity for or on behalf of any Government Agency (such as a consultant retained by a Government Agency); (e) candidates for political office at any level; (f) political parties and their officials; (g) royal family members, including ones who may lack formal authority but could otherwise be influential in advancing the Bidder's or Target's business interests, through, for example, partially owning or managing a Government Agency; and (h) officers, employees or representatives of public international organisations.
GST Act	means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Headcount Test	means the requirement under section 411(4)(a)(ii)(A) Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.
HSR Act	means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.
HSR Filing	means a filing under the federal premerger notification program established under the HSR Act.
Implementation Date	means the fifth Business Day following the Record Date or such other date agreed in writing by the Bidder and the Target.
Independent Expert	means the independent expert to be appointed by the Target under item 3 of Schedule 4.
Independent Expert's Report	means the report to be prepared by the Independent Expert expressing an opinion, for inclusion in the Scheme Booklet, on whether the Scheme is in the best interests of the Target Shareholders.
Input Tax Credit	has the meaning given to that term in the GST Act.
Insolvent	a person is Insolvent if:

Term	Definition
	(a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property; (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; (e) it is taken (under section 459F(1) Corporations Act) to have failed to comply with a statutory demand; (f) it is the subject of an event described in section 459C(2)(b) or section 585 Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject); (g) it is otherwise unable to pay its debts when they fall due; or (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Term	Definition
Intellectual Property	all rights in any patent, copyright, database rights, registered design or other design right, utility model, trade mark (whether registered or not and including any rights in get up or trade dress), brand name, service mark, trade name, eligible layout right, chip topography right and any other rights of a proprietary nature in or to the results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields, whether registrable or not and wherever existing in the world, including all renewals, extensions and revivals of, and all rights to apply for, any of the foregoing rights owned, used, or intended to be used, by the Target whether or not registered, registrable or patentable, and include rights in any patent, trade mark or design applications, rights in the nature of copyright, new plant varieties, circuit layouts, product formulations, processes, methods and inventions.
Key Personnel Contract	means a contract of employment (including any secondment agreement) of any key personnel (including Malcolm McColl, Robert Vickery, Darren Shafren, Jennifer Rosenthal or Rae Saltzstein) with the Target or any Subsidiary of the Target.
Lease	means a lease or licence held by the Target or any Subsidiary of the Target of real property.
Liability Cap	means: (a) for the Bidder: (i) for any claim in relation to a breach by the Bidder of its obligations under this document arising after the Effective Date, an amount equal to the aggregate of the Scheme Consideration (calculated by multiplying the Scheme Consideration by the number of Target Shares on issue at the date of this document) and the Option Consideration; and (ii) for any other claims, an amount equal to the Break Fee; and (b) for the Target, an amount equal to the Break Fee.
Listing Rules	means the official listing rules of the ASX.
Losses	means all claims, demands, damages, losses,

Term	Definition
	costs, expenses and liabilities.
Material Contract	means a contract or commitment: (a) which is not entered into in the ordinary course of the business of the Bidder or the Target (as applicable); and (b) requiring total payments in excess of $1,000,000. For the avoidance of doubt, a contract or commitment relating to clinical trials or the supply of drug substances will be treated as a contract entered into in the ordinary course of the Target's business.
Nominee	has the meaning given in clause 4.5(a).
Notification Date	has the meaning given in clause 4.5(b).
Option Cancellation Deed	means a deed between the Target and each holder of Target Options under which those parties agree to cancel all of that holder's Options with effect on the Implementation Date, conditional on the Scheme becoming Effective, and any necessary ASX waivers being obtained, in return for the Option Consideration.
Option Consideration	means, in respect of the Target Options, the consideration payable for the cancellation of the Target Options, being the amount equal to the Scheme Consideration less the exercise price of the Target Option being cancelled.
Optionholder	means each person who is a holder of a Target Option.
Record Date	means 5.00pm on the fifth Business Day following the Effective Date or such other date as the Target and the Bidder agree in writing.
Register	means the share register of the Target and Registry has a corresponding meaning.
Registered Intellectual Property	means any patents owned by the Target and any trademarks owned by the Target that are the subject of registration or a pending application for registration, and includes registered intellectual property described in Annexure C..
Regulator's Draft	means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval in respect of the Scheme pursuant to section 411(2) Corporations Act.
Regulatory Approval	means any approval of a Regulatory Authority,

Term	Definition
	including any approval under the HSR Act to the Scheme or any aspect of it which is necessary or desirable to implement the Scheme.
Regulatory Authority	includes: (a) ASX; (b) ASIC; (c) the Takeovers Panel; (d) a government or governmental, semi-governmental or judicial entity or authority; (e) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (f) any regulatory organisation established under statute; and (g) any department or commission with any authority under or in respect of the operation of the HSR Act.
Regulatory Review Period	means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme.
Related Body Corporate	has the meaning given to that term in the Corporations Act.
Relevant Interest	has the same meaning as given by sections 608 and 609 Corporations Act.
Representative	means any person acting for or on behalf of a party including any director, officer, employee, agent, contractor or professional advisor of a party.
Scheme	means the scheme of arrangement under Part 5.1 Corporations Act under which all the Target Shares will be transferred to the Bidder substantially in the form of Annexure A together with any amendment or modification made pursuant to section 411(6) Corporations Act.
Scheme Booklet	means the information booklet to be despatched to the Target Shareholders and approved by the Court and which must: (a) include the Scheme, an explanatory statement complying with the requirements of the Corporations Act, the Independent Expert's Report and, in the case of the Scheme, notices of

Term	Definition
	meeting and proxy forms; and (b) comply with the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Target Constitution.
Scheme Consideration	means $1.75 per share for each Target Share held by a Scheme Participant to be paid pursuant to the Scheme.
Scheme Meeting	means the meeting of the Target Shareholders to be convened by the Court under section 411(1) Corporations Act at which the Target Shareholders will vote in relation to the implementation of the Scheme.
Scheme Participant	means each person who is a Target Shareholder at the Record Date.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4)(b) Corporations Act approving the Scheme is heard.
Share Splitting	means the splitting by a holder of Target Shares of those Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.
Subsidiaries	has the meaning given to that term in the Corporations Act.
Superior Proposal	means a bona fide Competing Transaction which the Target Board, acting in good faith and after consultation with its financial and legal advisers, determines is: (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and (b) more favourable to the Target Shareholders than the Scheme, taking into account all terms and conditions of the Competing Transaction.
Takeovers Panel	means the body called the Takeovers Panel continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given various powers under Part 6.10 Corporations Act.
Target Board	means the board of directors of the Target.
Target Break Fee	means an amount equal to the Break Fee payable by the Target to the Bidder under clause 13.2.
Target Constitution	means the constitution of the Target.

Term	Definition
Target Due Diligence Information	means any form of information, communication or disclosure contained in any of the following categories of information: (a) all documents in the Data Room; (b) all available by searches of public registers of: (i) ASIC; (ii) IP Australia; (iii) the Personal Property Securities Register; (iv) the ASX; (v) the High Court, Federal Court and the Supreme Courts of each State and Territory, on the date that is two Business Days before the date of this document.
Target Group	means the Target and its Subsidiaries.
Target Indemnified Parties	means the Target's officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.
Target Information	means all information regarding the Target Group and businesses that is provided by the Target or is reasonably requested by The Bidder or the Independent Expert and provided by or on behalf of the Target: (a) to the Bidder pursuant to clause 5.3; (b) to the Independent Expert to enable the Independent Expert's Report to be completed; (c) in the Scheme Booklet, excluding The Bidder Information and the Independent Expert's Report; and to enable applications for Regulatory Approvals to be made.
Target Options	means the 14,183,667 issued options to subscribe for the Target Shares.
Target Performance Rights	means the 131,500 performance rights on issue in the Target.
Target Material Adverse Change	means: (a) Malcolm McColl or Darren Shafren cease to be an employee of the Target or its Subsidiaries or an employee of Newcastle Innovation Ltd under an effective seconding contract to provide services to the Target or its Subsidiaries; or one or more occurrences or any fact, matter

Term	Definition
	or circumstance (whenever occurring) that is announced or becomes known to Bidder after the date of this document that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have one of the following effects: (b) to materially adversely affect the status or terms of any Regulatory Approval that is applicable to the Target Group; (c) to prevent or would be likely to prevent Target from materially discharging its obligations under this document; (d) to otherwise materially adversely affect the assets, financial results or prospects of the Target Group (as a whole) including: (i) a clinical trial of CAVATAK being terminated or suspended in circumstances where the suspension is due to serious adverse events that are directly attributable to CAVATAK and is not resolved within a reasonable time frame; (ii) any material default by the Target Group or any member of the Target Group under their existing financing facilities; or (iii) any material litigation threatened or commenced against any member of the Target Group; or (iv) the termination of any Material Contract of the Target Group, unless that occurrence, fact, matter or circumstance: (e) was previously approved by the Bidder; (f) was Fairly Disclosed in the Target Due Diligence Information on or before the date of this document at least two Business Days prior to the date of this document; (g) was publicly announced by Target or otherwise Fairly Disclosed in publicly available filings by Target or any of its Subsidiaries with ASX or ASIC at least two Business Days prior to the date of this document; (h) comprises a change in applicable law (or a change in accounting policy required

Term	Definition
	by law) after the date of this document; (i) is required to be undertaken by Target or its Subsidiary (as the case may be) in connection with the Scheme or this document, or Target or its Subsidiary (as the case may be) otherwise elects (acting reasonably) to undertake an action or event in connection with the Scheme or this document; (j) any change, event or circumstance generally affecting the industry that develops and commercialises oncolytic immunotherapies; or (k) comprises or results from a change in, or disruption to, the existing financial markets' conditions of Australia, Japan, the United Kingdom, the United States of America, Singapore, Hong Kong, China or the international financial markets or a change in national or international political, financial or economic conditions in Australia, Japan, the United Kingdom, the United States of America, Singapore, Hong Kong, China provided that the change or disruption does not have a disproportionate effect on the Target Group compared to other participants in the industries in which the Target Group's businesses operate.
Target Prescribed Event	means, except to the extent publicly disclosed prior to the date of this document or contemplated by this document or the Scheme, any of the events listed in Schedule 1 provided that a Target Prescribed Event listed in Schedule 1 will not occur where the Target has first consulted with the Bidder relation to the event and the Bidder approved the proposed event or has not objected to the proposed event within five Business Days of having being so consulted.
Target Representative	means Malcolm McColl or such other representative nominated by the Target in writing to the Bidder.
Target Share	means a fully paid ordinary share in the capital of the Target.
Target Shareholder	means each person registered in the Register as a holder of the Target Shares.
Target Warranties	means each warranty set out in Schedule 6.
Tax Invoice	has the meaning given to that term in the GST Act.

Term	Definition
Timetable	means the timetable set out in Schedule 3 or as otherwise agreed in writing by the Target and the Bidder.
Transaction Implementation Committee	means a committee to be made up of such persons as the parties may agree from time to time.
401(k) Plan	means the tax-qualified defined contribution retirement plan established by Viralytics Services Inc. on 1 April 2017.

1.2 Interpretation

In this document:

(a) a reference to a clause, schedule, annexure or party is a reference to a clause of, and a schedule, annexure or party to, this document and references to this document include any schedules or annexures;

(b) a reference to a party to this document or any other document or agreement includes the party's successors, permitted substitutes and permitted assigns;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a document or agreement (including a reference to this document) is to that document or agreement as amended, supplemented, varied or replaced;

(e) a reference to this document includes the agreement recorded by this document;

(f) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;

(g) if any day on or by which a person must do something under this document is not a Business Day, then the person must do it on or by the next Business Day;

(h) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;

(i) a reference to Australian dollars, dollars, A$ or $ is a reference to the lawful currency of Australia;

(j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

(k) a reference to 'month' means calendar month; and

(l) time is a reference to New South Wales time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this document.

2 Agreement to propose and implement the Scheme

2.1 The Target to propose the Scheme

The Target agrees to propose the Scheme in good faith on and subject to the terms and conditions of this document.

2.2 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

3 Conditions precedent

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective unless and until each of the Conditions Precedent contained in Schedule 2 is satisfied or waived to the extent and in the manner set out in clauses 3.2 and 3.5.

3.2 Benefit of certain Conditions Precedent

(a) A Condition Precedent may only be waived in writing by a party entitled to the benefit of that Condition Precedent as noted in the table set out in Schedule 2 and will be effective only to the extent specifically set out in that waiver.

(b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.2 may do so in its absolute discretion.

3.3 Share splitting

If the Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and the Target and Bidder agree (acting reasonably) that Share Splitting or some other abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied, then Target must:

(a) apply for an order of the Court of the type contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and

(b) make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) Corporations Act by making an order to disregard the Headcount Test.

3.4 Waiver of Conditions Precedent

If either party waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause, then:

(a) subject to subclause 3.4(b), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but

(b) if the waiver of the Condition Precedent is itself conditional and the other party:

(i) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with subclause 3.4(a); or

(ii) does not accept the condition, the Condition Precedent has not been waived.

3.5 Reasonable endeavours

Each party agrees to use reasonable endeavours to procure that:

(a) each of the Conditions Precedent:

(i) is satisfied as soon as is reasonably practicable after the date of this document; and

(ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and

(b) there is no occurrence that would prevent the Conditions Precedent being satisfied.

3.6 Regulatory matters

(a) Without limiting clause 3.5 each party:

(i) **(Regulatory Approvals)** must promptly apply for all relevant Regulatory Approvals (and in any event use their best efforts to make their respective HSR Filings within 30 days of the date of this document) and take all steps it is responsible for as part of the approval process, including responding to requests for information from the relevant Regulatory Authority at the earliest practicable time;

(ii) **(representation)** subject to the requirements of the relevant Regulatory Authority, has the right to be represented and make submissions at any proposed meeting with any Regulatory Authority relating to any Regulatory Approval; and

(iii) (**information**) must promptly provide to the other all information reasonably required by that party to make an application for a Regulatory Approval;

(iv) (**early termination**) will request early termination of the applicable waiting period in their HSR Filing**;**

(v) **(consultation)** subject to clause 3.6(b), must consult with the other party in advance in relation to all material communications (whether written or

oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval (**Communications**) and, without limitation:

(A) provide the other party with drafts of any material written Communications to be sent to a Regulatory Authority, and consider in good faith, and make such amendments as the other party reasonably requires; and

(B) provide copies of any material written Communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so, and providing that either party may, in its absolute discretion, withhold or redact any information which is commercially sensitive to that party.

(b) Nothing in this clause 3.6 requires the Bidder to consult with the Target requiring any HSR Filing, or any correspondence in relation to any HSR Filing (including correspondence with the United States Department of Justice or Federal Trade Commission or any other applicable Regulatory Authority) sought by the Bidder in respect of the Scheme.

3.7 Notices in relation to Conditions Precedent

Each party must:

(a) **(notice of satisfaction)** promptly notify the other in writing of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;

(b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied;

(c) **(notice of waiver)** upon receipt of a notice given under clause 3.7(b), give written notice to the other party as soon as reasonably possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question; and

(d) **(certificates)** give to:

(i) the other (in draft), by 5.00pm on the Business Day immediately prior to the Second Court Date; and

(ii) the Court (in final form), on the Second Court Date,

a certificate signed as a deed and in a form acceptable to the Court (in respect of the Conditions Precedent relating to it, other than the Condition Precedent in item 4 of Schedule 2) whether or not those Conditions Precedent have been satisfied or waived.

3.8 Effect of waiver or non-fulfilment

A waiver of such breach or non-fulfilment in respect of one Condition Precedent does not constitute:

(a) a waiver of the breach or non-fulfilment of any other Condition Precedent resulting from the same event; or

(b) a waiver of the breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.9 Consultation on failure of Condition Precedents

If:

(a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;

(b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or

(c) the Scheme has not become Effective by the End Date,

then the parties must consult in good faith with a view to determining whether:

(d) the Scheme, or the transaction contemplated by the Scheme, may proceed by way of alternative means or methods (including the types of transactions referred to in paragraphs (a) to (g) of the definition of Competing Proposal);

(e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or

(f) to extend the End Date.

3.10 Failure to agree

If the parties are unable to reach agreement within five Business Days of commencing consultations under clause 3.9 (or any shorter period ending at 8.00am on the Second Court Date):

(a) subject to subclause 3.10(b), either party may terminate this document (and such termination will be in accordance with clause 17.1(e)(i)); or

(b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and such termination will be in accordance with clause 17.1(e)(ii)),

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this document pursuant to this clause 3.10 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

(c) a breach of this document by that party; or

(d) a deliberate act or omission of that party (that is not permitted by this document).

3.11 Regulatory Approval

A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval if that condition is, or, as the case may be, those conditions are:

(a) where the Regulatory Approval is required to be obtained by the Target, reasonably satisfactory to the Target and the Bidder; and

(b) where the Regulatory Approval is required to be obtained by the Bidder, reasonably satisfactory to the Bidder.

4 Outline of Scheme

4.1 Agreement to propose and implement Scheme

(a) The Target agrees to propose and implement the Scheme in accordance with Part 5.1 of the Corporations Act and subject to the terms of this document, and must use all reasonable endeavours to do so in accordance with the Timetable.

(b) The Bidder agrees to assist the Target to propose and implement the Scheme in accordance with Part 5.1 of the Corporations Act and subject to the terms of this document, and must use all reasonable endeavours to do so in accordance with the Timetable.

4.2 Outline of Scheme

The parties agree that:

(a) the Target must propose the Scheme in the form set out in Annexure A, or in such other form as the parties agree in writing; and

(b) the Scheme, if approved by the Court, will be subject to any alterations or conditions that are made or required by the Court and approved in writing by each party.

4.3 No amendments to Scheme without consent

The Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of the Bidder.

4.4 Scheme Consideration

The Bidder undertakes and warrants to the Target (in its own right and separately as nominee for each of the Scheme Participants) that, if the Scheme becomes Effective, in consideration of the transfer to the Bidder of each Target Share held by a Scheme Participant under the terms of the Scheme, the Bidder will:

(a) procure the payment to a trust account operated by the Target or the Target Share Registry as agent for the Target of cleared funds equal to the aggregate amount of the Scheme Consideration for all Target Shares by no later than the Business Day before the Implementation Date; and

(b) accept the transfer of the Target Shares on the Implementation Date,

in accordance with the Scheme and Deed Poll.

4.5 Bidder Nominee

(a) The Bidder may by notice to Target not later than five Business Days before an advanced draft of the Scheme Booklet is submitted to ASIC for review, nominate a Related Body Corporate of the Bidder (**Nominee**) to pay the Scheme Consideration and to be the entity to which the Target Shares will be transferred in accordance with this document and the Scheme if the Scheme becomes Effective.

(b) From the date of receipt by the Target of the notice referred to in clause 4.5(a) (**Notification Date**) the Bidder must procure that the Nominee complies with this document and the Deed Poll as if the Nominee were a party to it in place of Bidder.

(c) Despite clauses 4.5(a) and 4.5(b):

(i) the Bidder will continue to be bound by all of the obligations of the Bidder under this document and will not be released from any obligations or liabilities under this document following the Notification Date. However, the Target agrees that the Bidder will not be in breach of this document for failing to discharge an obligation of the Bidder under this document if the Nominee fully discharges that obligation and that any notice or certificate to be provided under this document that is provided by the Nominee will be treated for all purposes as if it was given by the Bidder;

(ii) the Bidder guarantees to the Target (in its own right and as trustee for each Scheme Participant) the punctual payment of the Scheme Consideration and the performance by the Nominee of its obligations under the Deed Poll or as a consequence of its nomination; and

(iii) if the Nominee fails to pay the Scheme Consideration or otherwise perform its obligations under or as contemplated by this document and the Deed Poll or as a consequence of its nomination, the Bidder must, on demand by the Target, immediately do that thing in the same manner as, and to the extent that, the Nominee was otherwise required to do it; and

(iv) the Bidder indemnifies the Target and each Scheme Participant against all Losses which any of them may suffer or incur in respect of the Nominee's failure to pay the Scheme Consideration or otherwise perform the Nominee's obligations under the Deed Poll or as a consequence of its nomination, including any Losses caused or contributed to by the Nominee being or becoming Insolvent, provided that the Bidder's liability under this clause cannot exceed any liability it would have suffered if it, and not the Nominee, failed to pay the Scheme Consideration, Option Consideration, or otherwise perform any obligations under the Deed Poll.

4.6 Target Options

(a) The Target must make an offer to each Optionholder to enter into, and ensure that such Optionholders enter into an Optionholder Cancellation Deed prior to the Second Court Date.

(b) The Bidder covenants in favour of the Target (in its own right and as trustee for each Optionholder) that in consideration of the cancellation of each Target Option held by an

Optionholder, the Bidder will, on the Implementation Date, provide the Target with sufficient funds to pay, or at the direction of the Target pay, to each Optionholder the Option Consideration payable under the terms of each Optionholder Cancellation Deed.

4.7 Target Performance Rights

The Target Board must take all steps in accordance with the plan rules governing the Target Performance Rights to give notice to the holders of the Target Performance Rights before the Second Court Date that the performance rights have become vested (on such terms and conditions as the Target Board may determine, after obtaining the Bidder's consent, such consent not to be unreasonably withheld), and issue Target Shares to those holders by no later than the Record Date.

5 Co-operation and timing

5.1 General obligations

The Target and the Bidder must each:

(a) use all reasonable endeavours and commit all reasonably necessary resources (including reasonably necessary management and corporate relations resources and the resources of external advisers); and

(b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending such meetings and by providing such information as in each case may reasonably be required),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and to the extent practicable in accordance with the Timetable.

5.2 Transaction Implementation Committee

(a) The parties must establish a Transaction Implementation Committee as soon as possible after the date of this document.

(b) The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by parties to:

(i) facilitate satisfaction of the Conditions Precedent;

(ii) produce the Scheme Booklet; and

(iii) implement the Scheme.

(c) The Transaction Implementation Committee will meet in person or by telephone as and when deemed necessary from the date of this document until the Scheme is fully implemented.

(d) The Implementation Committee will consider all matters relevant to ensuring that the Scheme becomes Effective, including the following:

(i) the structure and timetable for accomplishing the Scheme;

(ii) applying for all necessary Regulatory Approvals;

(iii) communication strategies, including with any Regulatory Authority, employees, the Target Shareholders, shareholders of the Bidder and the media; and

(iv) matters requiring consultation under clause 8.1(e).

(e) The parties agree that nothing in this document is intended to create or constitutes the relationship of a partnership, trust, joint venture or any other relationship of a fiduciary nature between the parties. Unless this document expressly provides otherwise, no party has the power to incur any obligation or liability on behalf of, or to pledge the credit of, any other party.

(f) Notwithstanding the above:

(i) each party may act in its own interests; and

(ii) each member of the Transaction Implementation Committee may act in the interests of the party they represent in participating in the Transaction Implementation Committee.

5.3 Access to people and information

Between the date of this document and the earlier of 5.00pm on the Business Day immediately before the Second Court Date and the date this document is terminated, the parties and their Subsidiaries must promptly provide one another and their respective employees and advisers with reasonable access to their respective employees and advisers and documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) which the other party reasonably requests (including monthly management accounts) for the purposes of:

(a) implementation of the Scheme;

(b) applying for all relevant Regulatory Approvals; and

(c) any other purpose agreed in writing between the parties,

provided in every case that:

(d) such access is reasonably necessary to the party requesting the information;

(e) neither the request nor the access places an unreasonable burden on the ability of the other party to run its business; and

(f) the request is made by contacting the Target Representative or the Bidder Representative, as the case may be.

5.4 Access to Target employees

The Target agrees to facilitate access by the Bidder to all employees of the Target and its Subsidiaries for the purposes of discussing with those employees their ongoing employment with the Target (or its Subsidiaries) provided that:

(a) the Bidder provides reasonable notice to the Target;

(b) the access is during normal business hours; and

(c) the access does not unreasonably impact on the operation of the Target's business or the Target's ability to comply with its obligations under this document.

5.5 Audits

The Target agrees to use reasonable endeavours to:

(a) facilitate sufficient access during business hours to all premises where the Target's business is operated (including sites where manufacturing is undertaken) to allow a quality and environmental health and safety audit by or on behalf of the Bidder of:

(i) the contract manufacturers within the Cavatak supply chain responsible for manufacturing or storage of cell banks or virus seed stock or manufacturing of Cavatak drug substance, Cavatak drug product or Cavatak packaged product, whether for clinical or commercial use; and

(ii) any Target facilities owned or leased by it or its Subsidiaries;

(b) implement the Bidder's recommended remediation steps based upon the Bidder's audit findings of Target Group's contract manufacturers within the Cavatak supply chain.

5.6 Right to separate representation

Each party is entitled to separate representation at all Court proceedings relating to the Scheme. Nothing in this document is to be taken to give the Bidder or the Target (as applicable) any right or power to make or give undertakings to the Court for or on behalf of the other party.

5.7 Business matters

Where a matter is required to be the subject of consultation under clause 8.1(f), in determining its action, if any, on that matter, the Target will have regard to the potential effect of the action on integration planning issues and the Bidder's intentions for the future operation of the business conducted by the Target as communicated to the Target in writing or as set out in the Scheme Booklet, and subject to the fiduciary duties of the Target Board in relation to the matter, the Target will select the action which has no or the least effect on those issues.

6 Implementation obligations of the parties

6.1 Target’s obligations

The Target must comply with the obligations of the Target set out in Schedule 4 and take all reasonable steps to propose and implement the Scheme (including doing anything required on behalf of the Target Shareholders which the Target is authorised to do) as soon as is reasonably practicable having regard to the Timetable and in any event prior to the End Date.

6.2 Bidder’s obligations

The Bidder must comply with the obligations of the Bidder set out in Schedule 5 and take all reasonable steps to assist the Target to implement the Scheme as soon as reasonably practicable having regard to the Timetable and in any event prior to the End Date.

7 Scheme Booklet

7.1 Preparation

Without limiting clauses 6.1 or 6.2:

(a) **(preparation)** subject to clauses 7.1(b), 7.3(c) and 7.5, the Target is generally responsible for the preparation of the Scheme Booklet but will provide drafts to and consult with the Bidder in accordance with clause 7.2; and

(b) **(compliance)** the Target must take all necessary steps to endeavour to ensure that the Scheme Booklet:

(i) complies with the requirements of:

(A) the Corporations Act and Corporations Regulations;

(B) ASIC Regulatory Guide 60;

(C) the Target Constitution; and

(D) the Listing Rules; and

(ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

7.2 Content of the Scheme Booklet

The Target must:

(a) **(consult the Bidder):**

(i) provide to the Bidder a draft of the Scheme Booklet (including the draft of any related proposed amendments to the Target Constitution) for the purpose of enabling the Bidder to review and comment on that draft document;

(ii) take the comments made by the Bidder into account in good faith when producing a revised draft of the Scheme Booklet (and related proposed amendments to the Target Constitution); and

(iii) provide to the Bidder the proposed Regulator's Draft at least five days before it is submitted to ASIC to enable the Bidder to review and comment on the proposed Regulator's Draft;

(b) **(amend the Scheme Booklet)** implement such changes to those parts of the Scheme Booklet relating to the Bidder which are provided in accordance with clause 7.2(a) as reasonably requested by the Bidder and prior to finalising the Regulator's Draft;

(c) **(Regulatory Review Period)** during the Regulatory Review Period:

(i) promptly provide to the Bidder, and include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, Corporations Regulations, ASIC Regulatory

Guide 60, the Listing Rules or the Target Constitution to be included in the Scheme Booklet; and

(ii) promptly keep the Bidder informed of any matters raised by ASIC in relation to the Scheme Booklet and use all reasonable endeavours, in co-operation with the Bidder, to resolve any such matters; and

(d) **(Bidder Information)** obtain approval from the Bidder for the form and context in which the Bidder Information appears in the Scheme Booklet which approval must not be unreasonably delayed or withheld.

7.3 Bidder Information

The Bidder:

(a) must consult with the Target as to the content of the Bidder Information;

(b) consents to the inclusion of the Bidder Information in the Scheme Booklet; and

(c) acknowledges that:

(i) it is responsible for ensuring that the Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that the Target will not verify or edit that information in the Scheme Booklet; and

(ii) the Scheme Booklet will state that the Bidder is responsible for the Bidder Information.

7.4 Disagreement on content

If the Bidder and the Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

(a) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, the Target will make such amendments as the Bidder, acting in good faith, reasonably requires; and

(b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Target Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

7.5 Verification

Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.

8 Conduct of business

8.1 The Target's obligations

During the period from the date of this document to the Implementation Date, the Target must, and must cause each of its Subsidiaries to:

(a) carry on its business in the usual, regular and ordinary course and in compliance in all material respects with all applicable laws and regulations and consistent with the most recent business plans and budgets disclosed by the Target to the Bidder prior to the date of this document;

(b) to the extent consistent with clause 8.1(a), use reasonable efforts to preserve intact its current business organisation and goodwill, keep available the services of its current officers and employees and preserve its relationship with suppliers, licensors, licensees and others having business dealings with it but nothing in this paragraph requires the Target to act contrary to its interests;

(c) observe its obligations under each Business Contract and each Lease;

(d) maintain its assets at normal levels having regard to historical trading levels and projected trading levels;

(e) obtain the Bidder's consent (not to be unreasonably withheld) prior to:

(i) commencing a clinical trial after the date of this document (other than clinical trial in respect of CLEVER that was announced to be commencing in early 2018 by way of ASX announcement dated 24 January 2018);

(ii) making any material amendments to any protocols or guidelines in respect of a clinical trial that was commenced or announced prior to the date of this document; or

(iii) entering into any new borrowing facility.

(f) consult the Bidder before:

(i) making amendments to existing programs and budgets relating to its business (including capital expenditure) by more than an aggregate amount of $1,000,000;

(ii) entering into any proposed contract involving the introduction of new products or services which are not already in operation as at the date of this document;

(iii) altering or terminating (including but not limited to an alteration involving a break fee arrangement) a material Business Contract, Key Personnel Contract or a Lease;

(iv) renewing a material Business Contract, Key Personnel Contract or a Lease outside of the ordinary course of the Target's business;

(v) entering into a material Business Contract, Key Personnel Contract or a Lease outside of the ordinary course of the Target's business;

(vi) adopting or varying employment policies, including any redundancy policy (except if required by law);

(vii) commencing any litigation which may involve costs greater than $2,500,000;

(viii) proposing the settlement of any litigation which may involve a claim greater than $2,500,000;

(ix) employing or engaging any person, if this would increase the annual costs associated with the Target's personnel by more than $150,000;

(x) altering the terms of employment or engagement of any person if this would increase the annual costs associated with the Target's personnel by more than $150,000; or

(xi) undertaking any activity listed in Schedule 1; and

(g) provide the Bidder with copies of all future notices of meetings, board minutes, accounts, programs, budgets and like documents relating to the Target to the extent such documents do not contain information confidential to third parties (the Target must, however, use its best endeavours to obtain the approval of that third party to the disclosure of that information to the Bidder if requested to do so by the Bidder) or contain information regarding the Scheme or contain information which the Target directors consider is not in the best interests of the Target to disclose (acting in good faith and for a proper purpose), which information may be omitted or redacted.

8.2 Procedure for resolving differences

If there is any difference of opinion between the parties regarding the access the Bidder is to be provided to the documents referred to in clause 8.1(g) or the manner in which the Target otherwise proposes to comply with its obligations under clause 8.1 (other than clause 8.1(e)), the following steps are to apply and they apply in the following order for the purposes of seeking to resolve that difference. The time for each step runs from the time the initial consultation for that step is required by either party. After each step, a party may take the next step if the difference has not been resolved within the time indicated for that step.

Step	Description of step	Time limit
1	Consultation between the Bidder Representative and the Target Representative	48 hours
2	Mediation facilitated by, and under a procedure determined by, a person selected by agreement between the parties, or failing agreement within two Business Days, by the Bidder.	5 Business Days

9 Board composition

As soon as practicable after the Second Court Date, the Bidder must determine, and must notify the Target of, the required composition of the board of directors of each Target Group entity, and the Target must use its best endeavours to cause the resignation or appointment (as the case may be) of each incoming and outgoing director to the board of each Target Group entity to take effect on and from the Implementation Date.

10 Removal of Target from official list of ASX

If directed by the Bidder, the Target must take all steps necessary for the Target to be removed from the official list of ASX on such Business Day after the Implementation Date as nominated by the Bidder, including lodging a request for removal with ASX prior to the Implementation Date and the Target and/or the Bidder satisfying any conditions reasonably required by ASX for it to act on that request.

11 Exclusivity

11.1 Termination of existing discussions

On and from the date of this document, the Target must cease any and all existing discussions with any person regarding a Competing Transaction.

11.2 No-shop

(a) During the Exclusivity Period, the Target must ensure that neither it nor any of its Related Bodies Corporate nor any of its Representatives directly or indirectly:

(i) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or

(ii) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

(b) Nothing in clause 11.2(a) prevents the Target from continuing to make normal presentations to, and to respond to enquiries from, any person in the ordinary course in relation to the Scheme or its business generally.

11.3 No-talk

Subject to clause 11.6 during the Exclusivity Period, the Target must ensure that neither it nor any of its Related Bodies Corporate nor any of its Representatives:

(a) negotiates or enters into;

(b) provides any non-public information (including due diligence information) to a third party in connection with (or with a view to obtaining); or

(c) participates in negotiations or discussions with any other person regarding,

a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by the Target or any of its Related Bodies Corporate or Representatives or the person has publicly announced the Competing Transaction.

11.4 No due diligence

(a) Subject to clause 11.6 and clause 11.4(b), during the Exclusivity Period, the Target must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

(i) solicits, invites, initiates, encourages, or permits any other person other than the Bidder and their Representatives to undertake due diligence investigations on the Target or any of its Related Bodies Corporate; or

(ii) makes available to any other person or permits any other person to receive other than the Bidder and its Representatives (in the course of due diligence investigations or otherwise) any non-public information relating to the Target or any of its Related Bodies Corporate.

(b) If the Target undertakes any of the activities referred to in clause 11.4(a)(i) or 11.4(a)(ii) in reliance on the exception in clause 11.6(a), it must provide to the Bidder any information (including non-public information) that it makes available to the other person where the Bidder has not already been provided with such information.

11.5 Notice of unsolicited approach

Subject to clause 11.6 during the Exclusivity Period, the Target must promptly inform the Bidder if it, or any of its Related Bodies Corporate or Representatives, receives any unsolicited approach with respect to any Competing Transaction and must disclose to the Bidder the fact that such an approach has been made and the key terms of the Competing Transaction including price and the identity of the party making the proposal and any other person or persons involved in the Competing Proposal.

11.6 Exceptions

(a) Clause 11.3 and clause 11.4 do not apply to the extent that the relevant clause restricts the Target or the Target Board from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, encouraged or initiated in contravention of clause 11.1) provided that the Target Board has determined, in good faith and acting reasonably that:

(i) after consultation with its financial advisors, such a bona fide Competing Transaction could reasonably be considered to become a Superior Proposal; and

(ii) after receiving written legal advice from Queen's Counsel or Senior Counsel, that failing to respond to such a bona fide Competing Transaction would be reasonably likely to constitute a breach of the Target Board's fiduciary or statutory obligations.

(b) Clause 11.5 does not apply if the Target Board has determined, in good faith and acting reasonably, that complying with clause 11.5 would cause the Target Board to breach fiduciary or statutory obligations to which it or the Target is subject.

11.7 Matching right

(a) During the Exclusivity Period, the Target:

(i) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party or the Target proposes to undertake or give effect to a Competing Transaction; and

(ii) must use its best endeavours to procure that none of the directors that have made a recommendation change their recommendation in favour of the Scheme to publicly recommend a Competing Transaction,

unless:

(iii) the Target Board acting in good faith and acting reasonably (after consultation with its financial advisors) determines that the Competing Transaction would or would likely to be a Superior Proposal;

(iv) the Target has provided the Bidder with the material terms and conditions of the Competing Transaction, including price and the identity of the party making the proposal and any other person or persons involved in the Competing Transaction; and

(v) the Target has given the Bidder at least five Business Days after the provision of the information referred to in clause 11.7(a)(iv) during which time the Bidder has the right, but not the obligation, to:

(A) propose amendments to the terms of the Scheme; or

(B) propose any other transaction,

in writing to the Target Board (in each case a **Matching Offer**).

(b) This clause 11.7 has repeating applications so that if any further proposal which constitutes a Competing Transaction is made after the Bidder has made a Matching Offer, the Target must comply with clauses 11.7(a)(i) and (ii) of this clause in respect of any new Competing Transaction, unless clauses 11.7(a)(iii) to (v) (inclusive) apply.

(c) The Target Board must consider any Matching Offer and if it determines, acting in good faith, that the Matching Offer would be more favourable to the Target Members than the relevant Competing Transaction (taking into account all terms and conditions of both proposals), the Target and the Bidder must use their best endeavours to agree any amendments to this document and the contents of the Scheme Booklet, which are reasonably necessary to reflect the Matching Offer, and to enter into an appropriate amending agreement to give effect to those amendments and to implement the Matching Offer, in each case, as soon as reasonably practicable.

11.8 Legal advice

The Target acknowledges that it has received legal advice on this document and the operation of this clause 11.

12 Restriction on acquiring securities

(a) Subject to clause 12(b), until the End Date, (other than as a result of the transfer of shares by the Target to the Bidder under the Scheme) the Bidder must procure that the Bidder Group does not (and must ensure that their Related Bodies Corporate do not) acquire or offer to acquire, any securities or derivatives or property or any right or option to acquire any securities or property of the Target unless it has received the prior written consent of the Target.

(b) The restriction in clause 12(a) does not apply where a person (other than any existing institutional or portfolio investor who is a Target Shareholder at the date of this document) either alone or with its associates:

(i) acquires (directly or indirectly) an interest in securities so as to have voting power in 5% or more of Target Shares on issue; and

(ii) announces a Competing Transaction, or the intention to propose a Competing Transaction to the Target.

13 Break fees

13.1 Background

(a) Each of the Target and the Bidder confirms its belief that the Scheme will provide significant benefits to it and its shareholders and acknowledges that each of them has

and will incur significant costs in connection with performing their respective obligations under this document and the Scheme.

(b) The parties have requested that provisions be made in this document for the payments set out in clauses 13.2 and 13.3 in the absence of which it would not have entered into this document. The parties each confirm they believe that it is appropriate to agree to the payment which it agrees to make under this clause 13 in order to secure the other party's participation in the Scheme. The parties each acknowledge that the amount it has agreed to pay to the other party under this clause 13 is an amount which is appropriate to compensate the other party for its reasonable external and internal costs and opportunity costs in connection with the Scheme.

13.2 Payment by the Target to the Bidder

The Target undertakes to pay the Bidder the Target Break Fee if:

(a) prior to the End Date, the Target accepts or enters into or offers to accept or enter into, any agreement, arrangement or understanding regarding a Competing Transaction;

(b) prior to the End Date, any Target director capable of making a recommendation does not recommend the Scheme or withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement in support of a Competing Transaction or announces an intention to do any of these acts, other than:

(i) in circumstances where the Target is entitled to terminate this document:

(A) because any Condition Precedent which is specified in this document for satisfaction by a time after 8am on the Second Court Date will not be fulfilled, provided that the reason the relevant Condition Precedent has not been fulfilled is not as a result of a breach by the Target of its obligations under this document; or

(B) under clause 3.10 of this document; or

(C) under clause 17.1(b)(ii) of this document; or

(D) because of the Effective Date not occurring by the End Date; or

(ii) because the Independent Expert's Report concludes that the Scheme is not either fair and reasonable or in the best interest of the Target Shareholders;

(c) a Competing Transaction is announced, made or becomes open for acceptance before the Second Court Date and, whether before or within three months of the termination of this document under that Competing Transaction, the relevant bidder:

(i) acquires a relevant interest in more than 50% of all the Target Shares and that Competing Transaction is (or becomes) free from any defeating conditions;

(ii) acquires all or a substantial part of the assets of the Target or the Target Group;

(iii) acquires control of the Target, within the meaning of section 50AA of the Corporations Act; or

(iv) otherwise acquires or merges with the Target (including by way of reverse takeover bid, reverse scheme of arrangement of dual listed companies structure); or

(d) the Target is in material breach of any provision of this document and this document is terminated.

13.3 Payment by the Bidder to the Target

The Bidder undertakes to pay the Target the Bidder Break Fee if the Target is entitled to terminate, and has terminated, this agreement in accordance with clause 17.1(b)(ii).

13.4 Demand for payment

(a) If an event referred to in clause 13.2 or 13.3 occurs, any demand by the Bidder or the Target for payment under clause 13.2 or 13.3 must be in writing and the receiving party must pay the amount referred to in clause 13.2 to the other party within 10 Business Days of receipt of the demand.

(b) The parties acknowledge and agree that if an amount is paid to it under clause 13.2 or 13.3, that payment constitutes its sole and exclusive remedy under this document in respect of the matter giving rise to the payment.

13.5 Exclusive remedy

(a) Despite any other provision of this document, where the Target Break Fee becomes payable to Bidder under this document (or would be payable if a demand was made), the Bidder cannot make any claim against the Target or any other Target Indemnified Party in relation to any loss to the Bidder or any Bidder Indemnified Party arising from the Scheme not proceeding and any and all liability of the Target and the Target Indemnified Parties in relation to any breach by the Target of its obligations under this document or any breach of any Target Warranty.

(b) Despite any other provision of this document, where the Bidder Break Fee becomes payable to the Target under this document (or would be payable if a demand was made), the Target may not make any claim against the Bidder or any Bidder Indemnified Party in relation to any loss to the Target or any Target Indemnified Party arising from the Scheme not proceeding and any breach by the Bidder of its obligations under this document or any breach of any Bidder Warranty.

14 Representations and warranties

14.1 Target's representations and warranties

The Target represents and warrants to the Bidder (on its own behalf and separately as trustee or nominee for each of the Bidder directors) that:

(a) each of the statements set out in Schedule 6 is true and correct in all material respects as at the date of this document;

(b) each of the statements numbered 1 to 18 set out in Schedule 6 is true and correct in all material respects as at 8.00am on the Second Court Date

14.2 Target's indemnity

Subject to clause 14.7, the Target indemnifies the Bidder and the Bidder Indemnified Parties against all Losses incurred directly or indirectly as a result of any of a breach of the Target Warranties.

14.3 Target warranty certificate

The Target must provide to the Bidder at 8.00am on the Second Court Date a certificate signed by a director of the Target and made in accordance with a resolution of the Target Board stating, as at that date, that the representations or warranties given by the Target in clause 14.1(b) remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

14.4 Bidder's representations and warranties

The Bidder represents and warrants to the Target (on its own behalf and separately as trustee or nominee for each of the Target directors) that each of the statements set out in Schedule 7 is true and correct in all material respects as at the date of this document and as at 8.00am on the Second Court Date.

14.5 Bidder's indemnity

Subject to clause 14.7, the Bidder indemnifies the Target and the Target Indemnified Parties against all Losses incurred directly or indirectly as a result of a breach of the Bidder Warranties.

14.6 Bidder warranty certificate

The Bidder must provide to the Target by 8:00am on the Second Court Date a certificate signed by a director of the Bidder and made in accordance with a resolution of the Bidder Board stating, as at that date, that the representations and warranties given by the Bidder in clause 14.4 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

14.7 Maximum recovery

(a) Despite any other provision of this document, each party's sole and absolute liability for a breach of this document will be limited to a maximum of their respective Liability Cap (in aggregate for all Claims) and no further damages, fees, expenses or reimbursements of any kind are payable by either party under or in connection with this document whatsoever.

(b) This clause 14.7 does not exclude the availability of equitable remedies (including the right to seek specific performance of this document).

14.8 Parties to notify of potential breaches

(a) If before the Second Court Date, the Target becomes aware of any fact, matter or circumstance which results in or is reasonably likely to result in a breach of any statement set out in Schedule 6, the Target must promptly provide to the Bidder notice describing that fact, matter or circumstance in reasonable detail provided that nothing in this clause 14.8 obliges the Target to make enquiries as to whether any fact, matter or circumstance of that type has arisen.

(b) If before the Second Court Date, the Bidder becomes aware of any fact, matter or circumstance which results in or is reasonably likely to result in a breach of any statement set out in Schedule 7, the Bidder must promptly provide to the Target notice describing that fact, matter or circumstance in reasonable detail provided that nothing in this clause 14.8 obliges the Bidder to make enquiries as to whether any fact, matter or circumstance of that type has arisen.

15 Deeds of access, indemnity and insurance

(a) Subject to the Scheme becoming Effective and having been implemented, the Bidder undertakes in favour of the Target and each director and officer of the Target or a Subsidiary of the Target that it will:

(i) to the extent permitted by law, for a period of 7 years from the Implementation Date, ensure that the constitutions of the Target and each other member of the Target Group as at the date of this document continue to contain such rules as are contained in those constitutions as at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company (and the Target undertakes not to vary, and must ensure there is no variation of, those constitutional arrangements); and

(ii) procure that the Target and each other member of the Target Group as at the date of this document complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers as at the date of this document (and the Target undertakes not to vary, and must ensure there is no variation of, those arrangements, except that it may enter into such deeds with newly appointed directors and officers on terms materially consistent with existing deeds as at the date of this document) and, without limiting the foregoing, not take any action which would prejudice or adversely affect any directors' and officers' runoff insurance cover taken out prior to the Implementation Date.

(b) This clause 15 is subject to any restriction contained in the Corporations Act and will be read down accordingly.

(c) The Target receives and holds the benefit of this clause 15 as trustee for each Target Director and each officer of each member of the Target Group.

(d) Notwithstanding any other provision of this Deed, the Target may, prior to the Implementation Date, enter into a run-off insurance policy in respect of any officer of the Target and its Subsidiaries for a 7 year period (or longer if the Bidder agrees, acting reasonably) (**D&O Run Off Policy**) providing that the annualised premium for such D&O Run Off Policy does not exceed 300% of the annual premiums currently paid by the Target in respect of any run-off policy in place at the date of this document, and that any actions to facilitate that insurance or in connection therewith will not breach any provision of this Deed.

(e) The Bidder covenants in favour of each person who is an officer of the Target as at the date of this Deed that it will not:

(i) amend or modify the terms of any indemnities, rights of advancement of expenses, rights to insurance and/or rights of access to documents or information, under deeds of indemnity, insurance and access (or other

agreements) from their terms as at the date of this document or to terms that are less favourable than their terms as at the date of this document; or

(ii) amend or cancel the D&O Run Off Policy at any time after the Implementation Date, or do anything or fail to do anything which would prejudice or adversely affect the D&O Run Off Policy (or the cover under such) at any time after Implementation Date.

16 Court proceedings

16.1 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the Bidder and the Target must consult with each other in good faith as to whether to appeal the Court's decision and, unless the parties agree in writing not to appeal the Court's decision, the parties must appeal the Court's decision to the fullest extent possible except to the extent that:

(a) Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates, in writing that, in their opinion, an appeal would likely have less than a 50% prospect of success; or

(b) there is, in the bona-fide view of the Target Board a Superior Proposal in relation to a Competing Transaction received by the Target which should be recommended in preference to the Scheme,

in which case either party may terminate this document in accordance with clause 17.1(e)(iii).

16.2 Defence of proceedings

Each of the Bidder and the Target must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) challenging this document or the completion of the Scheme. Neither the Bidder nor the Target will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought in connection with this document without the prior written consent of the other, such consent not to be unreasonably withheld.

16.3 Costs

Any costs incurred as a result of the operation of this clause 16 will be borne equally by each party.

17 Termination

17.1 Termination events

Without limiting any other provision of this document (including clauses 3.10 and 16.1), this document may be terminated:

(a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date, providing that a party (**Relevant Party**) will not be entitled to terminate this document under this clause 17.1(a) if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

(i) a breach of this document by the Relevant Party; or

(ii) a deliberate act or omission of the Relevant Party (that is not permitted by this document);

(b) **(lack of support or breach)** at any time prior to 8.00am on the Second Court Date:

(i) by the Bidder if any member of the Target Board changes his or her recommendation to the Scheme Participants or the Target Shareholders (as applicable) that they vote in favour of the resolution to approve the Scheme, including any adverse modification to his or her recommendation, or otherwise makes a public statement indicating that he or she no longer supports the Scheme; or

(ii) by either the Bidder or the Target if the other is in material breach of any clause of this document (including a warranty), taken in the context of the Scheme as a whole, provided that either the Bidder or the Target, as the case may be, has, if practicable, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist five Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after the time such notice is given;

(c) **(not approved)** by either party if the Scheme resolution submitted to the Scheme Meeting is not approved by the requisite majorities;

(d) **(restraint)** by either party if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;

(e) **(consultation or appeal failure)** in accordance with and pursuant to:

(i) clause 3.10(a);

(ii) clause 3.10(b); or

(iii) clause 16.1;

(f) **(Insolvency)** by either party if the other party or any of their Related Bodies Corporate becomes Insolvent; or

(g) **(agreement)** if agreed to in writing by the Bidder and the Target.

17.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document.

17.3 Effect of termination

In the event that a party terminates this document, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in clauses 16.1, 20 and 22 will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

17.4 Damages

In addition to the right of termination under clause 17.1 where there is no appropriate remedy for the breach in the agreement (other than termination), the non-defaulting party is, subject to clause 14.7, entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

18 Releases

18.1 The Target release

(a) The Target releases its rights, and agrees with the Bidder that it will not make a claim, against any Bidder Indemnified Party as at the date of this document and from time to time in connection with:

(i) any breach of any representations and warranties of the Bidder or any other member of the Bidder Group in this document (including the Bidder Warranties); or

(ii) any disclosures containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Bidder Indemnified Party has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 18.1(a) limits the Target's rights to terminate this document under clause 17.1(b)(ii).

(b) This clause is subject to any Corporations Act restriction and will be read down accordingly.

(c) The Bidder receives and holds the benefit of this clause to the extent it relates to each Bidder Indemnified Party as trustee for each of them.

18.2 Bidder release

(a) The Bidder releases its rights, and agrees with the Target that it will not make a claim, against any Target Indemnified Party as at the date of this document and from time to time in connection with:

(i) any breach of any representations and warranties of the Target (including the Target Warranties) or any other member of the Target Group in this document; or

(ii) any disclosures containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Target Indemnified Party has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 18.2(a) limits the Bidder's rights to terminate this document under clause 17.1(b)(ii).

(b) This clause is subject to any Corporations Act restriction and will be read down accordingly.

(c) The Target receives and holds the benefit of this clause to the extent it relates to each the Target Indemnified Party as trustee for each of them.

19 Public announcements

19.1 No Announcement

Neither party may make an Announcement relating to the subject matter of this document or its termination or make public this document (or any of its terms) unless the Announcement or publication:

(a) is required by this document;

(b) the other party has been provided with a copy of the Announcement and had a reasonable opportunity to comment on the content and form of the Announcement; or

(c) is required to be made by any applicable law or the ASX Listing Rules.

19.2 Notice of Announcement

If a party is required to make an Announcement under clause 19.1(c), it must, to the extent practicable without that party breaching any applicable law, give to the other party:

(a) such notice as is reasonable in the circumstances of its intention to make the Announcement; and

(b) a draft of the Announcement and an opportunity, to the extent practicable in the circumstances, to comment on the contents of the draft Announcement.

20 Confidential information

20.1 Obligations of confidence

Each party agrees to keep confidential, and not to use or disclose, other than as permitted by this document, any Confidential Information relating to the Scheme or of the other party provided or obtained before or after entry into this document.

20.2 Exclusions

Subject to clause 20.3, the obligations of confidence in clause 20.1 do not apply to Confidential Information:

(a) that is required to be disclosed by applicable law, or under compulsion of law by a court or Government Agency or by the rules of any relevant stock exchange or regulator, as long as the disclosing party:

(i) discloses the minimum amount of Confidential Information required to satisfy the law or rules;

(ii) before disclosing any information, gives a reasonable amount of notice to the other party and takes all reasonable steps (whether required by the other party or not) to maintain such Confidential Information in confidence;

(iii) invite the other party to comment on the disclosure being made; and

(iv) where appropriate, give due regard to the comments of the other party;

(b) that is in the public domain otherwise than as a result of a breach of this document or any other obligation of confidence; or

(c) that is already known by, or rightfully received, or independently developed, by the recipient of that Confidential Information free of any obligation of confidence.

20.3 Restriction on disclosure

Each party may use and disclose Confidential Information relating to the Scheme or of the other party only:

(a) with the prior written consent of the other party;

(b) to that party's Related Bodies Corporate, directors, agents, professional advisors, employees, contractors and permitted sub-contractors solely for the exercise of rights or the performance of obligations under this document;

(c) to any third party to whom disclosure is required in order to procure the satisfaction of the Conditions Precedent; or

(d) as is properly and reasonably required for the purpose of review by any advisor, consultant, expert, banker, financier, contractor or subcontractor employed or retained by the party in connection with the Scheme.

20.4 Knowledge of Confidential Information

(a) Each party must take all steps reasonably necessary to ensure that Confidential Information is known only to people (including any employees of that party) who reasonably require that knowledge in the course of their duties or functions.

(b) Despite clause 20.3, each party must, to the extent permitted by law:

(i) have in place a written undertaking with any person to whom it intends to disclose Confidential Information (who is not under a statutory, professional or contractual duty to keep the information or data confidential) requiring that person to keep Confidential Information confidential; or

(ii) require any person to whom it intends to disclose Confidential Information (who is not under a statutory, professional or contractual duty to keep the information or data confidential) to give a written undertaking to keep Confidential Information confidential.

20.5 Injunctive relief

Each party acknowledges that:

(a) the other party may suffer financial and other loss and damage if any unauthorised act occurs in relation to Confidential Information relating to the Scheme or of the other party, and that monetary damages would be an insufficient remedy; and

(b) in addition to any other remedy available at law or in equity, the other party is entitled to injunctive relief to prevent a breach of, and to compel specific performance of clause 20.

20.6 Continuing obligation

Despite anything to the contrary in this document, each party acknowledges and agrees that the obligations about Confidential Information imposed under clause 20 survive termination of this document.

21 Duty, costs and expenses

21.1 Stamp duty

The Bidder must pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this document or the Scheme or the steps to be taken under this document or the Scheme.

21.2 Costs and expenses

Except as otherwise provided in this document, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this document and the proposed, attempted or actual implementation of the Scheme.

22 GST

(a) The consideration specified under this document is exclusive of GST.

(b) If GST is or becomes payable on a supply made under or in connection with this document, an additional amount is payable by the recipient equal to the amount of GST payable on that supply as calculated by the supplier in accordance with the GST Act.

(c) The additional amount payable under clause 22(b) is payable at the same time and in the same manner as the consideration for the supply, provided that a Tax Invoice has been provided to the recipient in respect of the additional amount.

(d) If the amount of GST payable on a supply varies from the additional amount payable under clause 22(b), the parties must adjust the additional amount provided that an adjustment note has been issued in relation to the relevant supply in accordance with the GST Act.

(e) If a party is entitled to be reimbursed or indemnified under this document, the amount payable does not include any amount for GST for which the party is entitled to an Input Tax Credit.

(f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a creditable acquisition by that party but to which the representative member of a GST group of which the party is a member is entitled.

23 General

23.1 Amendments

This document may only be amended by written agreement between the parties.

23.2 Counterparts

This document may be executed in any number of counterparts. All counterparts together make one instrument.

23.3 No merger

None of the terms or conditions of this document, or any act, matter or thing done under or by virtue of this document or any other agreement, instrument or document, or judgment or order of any court or judicial proceeding, operate as a merger of any of the rights and remedies of the parties under this document, and those rights and remedies must at all times continue in force.

23.4 Entire agreement

This document supersedes all previous agreements about its subject matter and embodies the entire agreement between the parties.

23.5 Further assurances

Each party must do all things reasonably necessary to give effect to this document and the transactions contemplated by it.

23.6 No waiver

(a) The failure of a party to require full or partial performance of a provision of this document does not affect the right of that party to require performance subsequently.

(b) A single or partial exercise of or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy.

(c) A right under this document may only be waived in writing signed by the party granting the waiver, and is effective only to the extent specifically set out in that waiver.

23.7 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this document expressly states otherwise.

23.8 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this document.

23.9 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

23.10 Conflict of interest

The parties' rights and remedies under this document may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

23.11 Remedies cumulative

The rights and remedies in this document are in addition to other rights and remedies given by law independently of this document.

23.12 Indemnities

The indemnities in this document are continuing obligations, independent from the other obligations of the parties under this document and continue after this document ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this document.

23.13 Enforceability

For the purpose of this document:

(a) The Target is taken to be acting as agent and trustee on behalf of and for the benefit of all the Target Indemnified Parties; and

(b) The Bidder is taken to be acting as agent and trustee on behalf of and for the benefit of all the Bidder Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

23.14 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

23.15 Governing law and jurisdiction

(a) New South Wales law governs this document.

(b) Each party irrevocably submits to the non-exclusive jurisdiction of the New South Wales courts and courts competent to hear appeals from those courts.

23.16 Severability

(a) A clause or part of a clause of this document that is illegal or unenforceable may be severed from this document and the remaining clauses or parts of the clause of this document continue in force.

(b) If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this document in the relevant jurisdiction, but the rest of this document will not be affected.

23.17 Consents

Any consent referred to in, or required under, this document from any party may not be unreasonably withheld, unless this document expressly provides for that consent to be given in that party's absolute discretion.

23.18 Notices

(a) A notice, consent or communication under this document is only effective if it is:

(i) in writing, signed by or on behalf of the person giving it;

(ii) addressed to the person to whom it is to be given; and

(iii) given as follows:

(A) delivered by hand to that person's address;

(B) sent to that person's address by prepaid mail or by prepaid airmail, if the address is overseas; or

(C) sent by email to that person's email address unless the sender receives a computer generated report that the email was not successfully sent, within two hours after the email being sent.

(b) A notice, consent or communication given under clause 23.18(a) is given and received on the corresponding day set out in the table below. The time expressed in the table is the local time in the place of receipt.

If a notice is	**It is given and received on**
Delivered by hand or sent by email	(a) that day, if delivered or sent by 5.00pm on a Business Day; or (b) the next Business Day, in any other case.
Sent by post	(a) three Business Days after posting, if sent within Australia; or (b) seven Business Days after posting, if sent to or from a place outside Australia.

(c) A person's address and email address are those set out below, or as the person notifies the sender:

Name	Bidder
Attention	Director Merck Sharp & Dohme (Holdings) Pty Ltd
Address	Level 1, Building A, 26 Talavera Road, Macquarie Park, NSW 2113 Australia
Email	riad_eldada@merck.com

with a copy to:

Attention	Assistant General Counsel, Corporate Transactions
Address	2000 Galloping Hill Road, Mailstop K-1-3045, Kenilworth, N7 07033-130, United States Of America
Email	lauren.dalessio@merck.com

and the Bidder Representative as follows:

Attention	Elizabeth Naldi-Jacob
Address	2000 Galloping Hill Road, Mailstop K-1-3045, Kenilworth, N7 07033-130, United States Of America
Email	elizabeth.naldi-jacob@merck.com

Name	Target
Attention	Robert Vickery
Address	Suite 305, Level 3, 66 Hunter Street, Sydney NSW 2000
Email	robert.vickery@viralytics.com

Schedule 1

The Target Prescribed Events

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1 **(Conversion)** the Target converts all or any of its shares into a larger or smaller number of shares.

2 **(Reduction of share capital)** the Target or any of its Subsidiaries resolves to reduce its share capital in any way or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its shares.

3 **(Buy-back)** the Target or any of its Subsidiaries:

(a) enters into a buy-back agreement; or

(b) resolves to approve the terms of a buy-back agreement under the Corporations Act.

4 **(Distribution)** the Target makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

5 **(Issuing or granting shares or options)** the Target or any of its Subsidiaries:

(a) issues shares;

(b) grants an option over its shares; or

(c) agrees to make such an issue or grant such an option,

in each case to a person outside the Target Group other than as disclosed by the Target to the Bidder before the date of this document.

6 **(Securities or other instruments)** the Target or any of its Subsidiaries:

(a) issues securities or other instruments convertible into shares or debt securities; or

(b) agrees to issue securities or other instruments convertible into shares or debt securities,

in each case to a person outside the Target Group other than as disclosed by the Target to the Bidder before the date of this document.

7 **(Constitution)** the Target adopts a new constitution or modifies or repeals its constitution or a provision of it, other than in respect of any amendments required because of the Scheme or as otherwise approved by the Bidder.

8 **(Disposals)** the Target or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the Target Group's business or property.

9 **(Acquisitions, disposals or tenders)** the Target or any of its Subsidiaries:

(a) acquires or disposes of;

(b) agrees to acquire or dispose of;

(c) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds $5 million.

10 **(Encumbrances)** other than in the ordinary course of business and consistent with past practice, the Target or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property.

11 **(Employment arrangements)** other than in the ordinary course of business and consistent with past practice, the Target or any of its Subsidiaries:

(a) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees;

(b) accelerates the rights of any of its directors or employees to compensation or benefits or any kind other than as contemplated by clauses 4.5 and 4.7; or

(c) pays or agrees to pay any of its directors or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document).

12 **(Commitments and settlements)** other than if agreed in writing between the Bidder group representative and the Target group representative, the Target or any of its Subsidiaries:

(a) enters into or agrees to enter into any Material Contract;

(b) terminates or amends in a material manner any Material Contract;

(c) waives any material third party default of a Material Contract; or

(d) accepts as a settlement or compromise of a material matter relating to a Material Contract, less than the full compensation due to the Target or a Subsidiary of the Target.

13 **(Insolvency)** the Target or any of its Related Bodies Corporate becomes Insolvent.

14 **(capital expenditure)** a member of the Target Group undertakes or agrees to undertake capital expenditure in excess of $1,000,000 in aggregate.

15 **(financial indebtedness)** a member of the Target Group provides financial accommodation (irrespective of what form of financial indebtedness that accommodation takes) to a third party in excess of $1,000,000.

16 **(derivatives)** a member of the Target Group enters into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with past practice.

17 **(breach of law)** a member of the Target Group takes or omits to take action which results in a breach of law material to a member of the Target Group.

18 **(accounting policy)** a member of the Target Group changes any accounting policy applied by them to report their financial position.

19 **(related party)** a member of the Target Group enters into or resolves to enter into a transaction with any related party of the Target as defined in section 228 Corporations Act, other

than in respect of a transaction which is subject to an exception in sections 210 to 216 Corporations Act.

20 **(tax liability)** the Target or any other member of the Target Group does anything that results in a taxable gain for the Target Group by either causing a Subsidiary to cease being a member of the Target Group or causing the Target Group to cease being a consolidated group (as that term is defined in the *Income Tax Assessment Act 1997* (Cth)).

21 A Target Prescribed Event does not include:

(a) an event that is fully and fairly disclosed by the Target in the Disclosure Materials;

(b) an event that is fully and fairly disclosed in an announcement made to ASX prior to the date of this document that is publicly available;

(c) an event that is required to be done by law;

(d) circumstances where shares or options may be issued pursuant to an employee share plan, dividend reinvestment plan, option plan or on the exercise of the options or rights;

(e) any matter required to be done or brought about by the Target under this document; or

(f) any other matter, the undertaking of which the Bidder has approved in writing.

Schedule 2

Conditions Precedent (clause 3.1)

Condition	Party entitled to benefit
1. Regulatory Approvals A. Before 8.00am on the Second Court Date, the Treasurer of the Commonwealth of Australia: (i) ceasing to be empowered under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to prohibit the Scheme; or (ii) giving written notice of a decision that the Commonwealth Government has no objection to the Scheme and that notice is either free from conditions or subject to conditions that are acceptable to the parties. B. Before 8:00am on the Second Court Date, all other approvals required to be obtained from a Government Agency or Regulatory Authority in respect of the Scheme having been obtained.	Both
2. Scheme approval The Target Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.	Cannot be waived
3. Court approval The Court approves the Scheme in accordance with section 411(4)(b) Corporations Act.	Cannot be waived
4. Order lodged with ASIC An office copy of the Court order approving the Scheme is lodged with ASIC as contemplated by section 411(4)(b) Corporations Act on or before the End Date.	Cannot be waived
5. Independent Expert The Independent Expert issues a report which concludes and continues to conclude that the Scheme is in the best interests of the Target Shareholders.	Target
6. No Target Prescribed Event No Target Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date.	Bidder
7. Target Options and Target Performance Rights The Target has satisfied its obligations under clauses 4.6 and 4.7 prior to 8.00am on the Second Court Date.	Bidder

Condition	Party entitled to benefit
8. No Target Material Adverse Change No Target Material Adverse Change occurs between the date of this Agreement and 8.00 am on the Second Court Date.	Bidder
9. Termination of 401(k) Plan The Target and its Subsidiary have adopted appropriate resolutions that provide for termination of the 401(k) Plan in accordance with its terms and has provided the Bidder with evidence satisfactory to the Bidder (acting reasonably) of the adoption of such resolutions.	Bidder

Schedule 3

Timetable (clause 5.1)

Event	Date	Target date
Sign Scheme Implementation Agreement and announce Scheme	Day 0	21 February 2018
Lodge Scheme Booklet with ASIC (**Lodgement Date**)	Day 35	28 March 2018
Deed Poll executed by the Bidder	Day 35	28 March 2018
First Court Date	Day 58	20 April 2018
Scheme Booklet registered by ASIC and released on ASX	Day 58	20 April 2018
Printing and despatch of Scheme Booklet	Day 64	26 April 2018
Scheme Meeting held	Day 96	28 May 2018
Second Court Date	Day 103	4 June 2018
Lodge Court order with ASIC (**Effective Date**)	Day 104	5 June 2018
Record Date (5.00pm on the date which is the Second Court Date plus five Business Days or such other date as the Target and the Bidder agree)	Day 112	13 June 2018
Implementation Date	Day 119	20 June 2018
End Date		31 July 2018

Notes

These dates are indicative only and are subject to change.

Schedule 4

The Target's Obligations (clause 6.1)

1 **(The Target Information)** ensure that the Target Information included in the Scheme Booklet complies with applicable law and applicable ASIC Regulatory Guides.

2 **(Further Target Information)** provide to the Bidder, Scheme Participants and the Target Shareholders (as applicable) such further or new Target Information as may arise after the Scheme Booklet has been sent to the Target Shareholders until the date of the Scheme Meeting as may be necessary to ensure that the Target Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).

3 **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet.

4 **(Provide a copy of the report)** on receipt, provide the Bidder with a copy of any draft or final report received from the Independent Expert for the purposes of the Bidder confirming any factual information relating to the Bidder.

5 **(The Target Constitution)** prepare the required amendments to the Target Constitution (if any) in a form approved by the Bidder.

6 **(Announcement)** on the date of this document, make an Announcement, in a form agreed between the Target and the Bidder which includes a statement (on the basis of written statements made to it by each of its directors) that each director of the Target:

(a) considers the Scheme to be in the best interests of the Target Shareholders and recommends to the Target Shareholders and that the Scheme be approved; and

(b) who holds Target Shares intends to vote his or her Target Shares in favour of the Scheme,

subject to no Superior Proposal emerging and the Independent Expert's Report concluding that the Scheme is in the best interests of the Target Shareholders.

7 **(Directors' recommendation)** state in the Scheme Booklet and the public announcement contemplated by clause 19.1 (on the basis of statements made to the Target by each member of the Target Board, but provided that in the case of the Scheme Booklet, no director has changed their recommendation or intentions) that each of the directors of the Target Board recommends to Scheme Participants and the Target Shareholders (as applicable) that the Scheme be approved in the absence of a Superior Proposal relating to a Competing Transaction received by the Target, unless:

(a) the Independent Expert opines that the Scheme is not in the best interest of the Target Shareholders; or

(b) in relation to matters occurring after the date of this document, the Target Board obtains written advice from Queen's Counsel or Senior Counsel that compliance or continued compliance with this clause would involve a breach of their fiduciary duties or would be unlawful on any other basis; or

(c) an event in clause 17.1(b)(i) arises.

8 **(Directors' voting)** use its reasonable endeavours to procure that:

(a) each member of the Target Board votes any Target Shares in which they have a Relevant Interest in favour of the Scheme and any other resolution submitted to the Target Shareholders for their approval in connection with the Scheme; and

(b) each member of the Target Board does not change that voting intention, unless a Superior Proposal arises or the Independent Expert opines that the Scheme is not in the best interests of Scheme Participants or the Target Shareholders or that the benefits being provided to the Target Shareholders are not fair and reasonable having regard to any loss of rights and change as to voting rights and rights to participate in the reserves and profits of the Target.

9 **(Registry details)** subject to the terms of the Scheme:

(a) provide all necessary information about the Scheme Participants and the Target Shareholders (as applicable) to the Bidder which the Bidder requires in order to assist it to solicit votes at the Scheme Meeting in a manner agreed between the Target and the Bidder; and

(b) provide any information that the Bidder reasonably requests in relation to the Register and, where requested by the Bidder, the Target must procure such information to be provided to the Bidder in such electronic form as is reasonably requested by the Bidder.

10 **(Section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) Corporations Act stating that ASIC has no objection to the Scheme.

11 **(Court application)** apply to the Court for an order under section 411(1) Corporations Act directing the Target to convene the Scheme Meeting and prepare all documents necessary for the Court proceedings relating to the Scheme in accordance with all applicable laws.

12 **(Registration with ASIC)** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) Corporations Act.

13 **(Send Scheme Booklet)** send the Scheme Booklet to the Target Shareholders as soon as practicable after the Court orders the Target to convene the Scheme Meeting.

14 **(Scheme Meeting)** convene the Scheme Meeting in accordance with any such orders made by the Court and seek the approval of the Target Shareholders for the Scheme and, for this purpose, the directors of the Target must participate in reasonable efforts to promote the merits of the Scheme.

15 **(Court order)** apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) Corporations Act.

16 **(Lodge)** lodge with ASIC an office copy of any such Court order approving the Scheme as approved by the Target Shareholders at the Scheme Meeting in accordance with section 411(10) Corporations Act.

17 **(Registration)** if the Scheme becomes Effective and subject to the Bidder having issued the Scheme Consideration to Scheme Participants, register all transfers of the Target Shares to the Bidder on the Implementation Date.

18 **(Other steps)** do all other things necessary to give effect to the Scheme, this document and the orders of the Court approving the Scheme.

Schedule 5

Bidder's Obligations (clause 6.2)

1 **(Bidder Information)** provide to the Target for inclusion in the Scheme Booklet such Bidder Information as the Target reasonably requires to prepare and issue the Scheme Booklet (including any information required under the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 or the Target Constitution).

2 **(Further Bidder Information)** provide to the Target such further or new Bidder Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).

3 **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's report to be included in the Scheme Booklet.

4 **(Representation)** procure that it is represented by counsel at the court hearings convened for the purposes of section 411(4)(b) Corporations Act, at which, through its counsel, the Bidder must undertake (if requested by the court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme.

5 **(Deed Poll)** prior to the First Court Date, sign and deliver the Deed Poll.

6 **(Accuracy of the Bidder Information)** confirm in writing to the Target the accuracy of the Bidder Information in the Scheme Booklet (other than any information regarding the Target Group contained in, or used in the preparation of, the information regarding the merged entity following implementation of the Scheme).

7 **(Share transfer)** if the Scheme becomes Effective, the Bidder must accept a transfer of the Target Shares as contemplated by the Scheme.

8 **(Scheme Consideration)** if the Scheme becomes Effective, provide, or procure the provision of, the Scheme Consideration in accordance with the terms of the Scheme and the Deed Poll.

9 **(Compliance with laws)** do everything reasonably within its power to ensure that the Scheme is effected in accordance with all applicable laws and regulations.

Schedule 6

The Target's representations and warranties (clause 14.1)

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1 **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.

2 **(Execution)** the execution and delivery of this document has been properly authorised by all necessary corporate action of the Target.

3 **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this document and to consummate and perform or cause to be performed its obligations under this document in accordance with its terms.

4 **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this document constitutes legal, valid and binding obligations on it.

5 **(The Target Information)** the Target Information provided in accordance with this document and included in the Scheme Booklet, as at the date of the Scheme Booklet, will be true and correct, and will comply in all material respects with the requirements of the Corporations Act, and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC and the Target Constitution.

6 **(Reliance)** the Target Information contained in the Scheme Booklet will be included on the understanding that the Bidder and its directors will rely on that information for the purposes of considering and approving the Bidder Information in the Scheme Booklet before it is despatched.

7 **(Further information)** the Target will, as a continuing obligation, provide to the Bidder all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of clause 7.1(b) if it applied as at the date upon which that information arose.

8 **(Disclosure)** the Target has provided to the Bidder all information actually known to it (having made reasonable enquiries) as at the date of this document regarding matters affecting or relating to it:

(a) which is not already in the public domain; and

(b) the disclosure of which might reasonably be expected to result in the Bidder not entering into this document at all or only entering into this document on materially different terms.

9 **(Complete and accurate)** all information given by or on behalf of the Target to the Bidder during the course of negotiations in relation to the Scheme and preparation of the Scheme Booklet is complete, accurate and not misleading in all material respects (including by omission).

10 **(Continuous disclosure)**

(a) the Target is not in breach of its continuous disclosure obligations under the Listing Rules and the Corporations Act.

(b) as at the date of this document:

(i) none of the Target's prior announcements to ASX currently require updating or further disclosure;

(ii) the Target does not hold any information that is being withheld from disclosure to the market under carve-out to continuous disclosure under ASX Listing Rule 3.1A or otherwise; and

(iii) none of the Directors or senior executives of the Target are aware of any other price sensitive information which has not already been publicly disclosed.

11 **(Accounting Standards)** The accounts of the Target are prepared on a consistent basis with past practices and in accordance with all relevant accounting standards and relevant provisions of applicable Anti-Bribery Laws.

12 **(Reasonable assumptions)** to the extent information provided to the Bidder, whether under due diligence or not, in connection with this document, includes forward looking statements, those forward looking statements are based on assumptions which the Target believes, as at the date the information was provided and continues to believe, to be reasonable.

13 **(Opinions)** any statement of opinion or belief contained in the Target Information is honestly held and there are reasonable grounds for holding the opinion or belief.

14 **(Provision of information to Independent Expert)** all information provided by or on behalf of the Target to the Independent Expert to enable the Independent Expert's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's report.

15 **(Compliance)** it and its Subsidiaries have complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted.

16 **(Compliance with Anti-Bribery Laws)**

(a) After due and careful enquiry, the Target is not aware of any breach of, or failure to comply with, any Anti-Bribery Laws or any facts that could reasonably give rise to any Anti- Bribery Law investigation, proceeding or inquiry by or against:

(i) the Target Group; or

(ii) any employee, agent, director, officer or agent of the Target Group; or

(iii) any supplier or customer of the Target Group.

(b) There is not and has not been any investigation or proceeding (including any court proceedings, internal investigations, or investigations or proceedings brought by a Government Agency) relating to allegations of potential unethical or illegal behaviour (including violations of the Anti-Bribery Laws), retaliation, potential non-compliance with its Code of Conduct, regulations or policies involving:

(i) the Target Group; or

(ii) any employee, agent, director, officer or agent of the Target Group; or

(iii) any supplier or customer of the Target Group.

(c) The Target has instituted and maintained policies and procedures designed to ensure, and which the Target reasonably believes will continue to ensure, compliance by the Target Group with applicable Anti-Bribery Laws and to prevent any breach of Anti-Bribery Laws by the Target Group ("**Compliance Program**"). So far as the Target is aware, none of the Target Group, or any employee, agent, director, officer or agent of the Target Group have done anything or omitted to do anything which amounts to a breach of the Compliance Program.

17 **(Securities)** the Target's issued:

(a) shares as at the date of this document are 278,262,889 Target Shares ;

(b) options as the date of this document are 14,183,667 options; and

(c) performance rights as at the date of this document are 131,500 rights,

and it has not:

(d) entered into any agreement or other arrangement (whether conditional or unconditional) which remains current to issue any the Target Shares; or

(e) issued or agreed to issue any other securities or instruments which are still outstanding and which may convert into the Target Shares.

18 **(Solvency)** it is not Insolvent.

19 **(Employment contracts)** the Target has not made any material amendments to any contracts of employment with any director or executive other as disclosed by the Target to the Bidder as at the date of this document.

20 **(Intellectual Property)** To the best of the knowledge and belief of the directors of the Target (after having made reasonable enquiries):

(a) it has not infringed or otherwise violated the Intellectual Property rights of any third party, and no person is infringing, misappropriating, or otherwise violating the Intellectual Property rights owned by or exclusively licensed to the Target;

(b) it is the sole and exclusive beneficial owner of all of the Registered Intellectual Property, and all inventors/prior owners have executed assignments of their rights in the Registered Intellectual Property to the Target or predecessor or intermediary entity between the relevant assignor and the Target;

(c) no third party has any liens or security interest in the Registered Intellectual Property; and

(d) the Registered Intellectual Property is valid, subsisting and enforceable, and is not subject to any outstanding claim, order, judgment or decree adversely affecting the Target's use of or rights to the Registered Intellectual Property and there are no pending or threatened claims.

21 **(Premises)**

(a) The Target does not own or have a fee or freehold interest in, and since 1 January 2012 has not at any time owned or held a fee interest in, whether in whole or in part, any real property.

(b) No Subsidiary or any affiliate of a Subsidiary (past or present) has owned or has a fee or freehold interest in, or has at any time owned or held a fee interest in, whether in whole or in part, any real property.

22 **(Leases)** To the best of the knowledge and belief of the directors of the Target (after having made reasonable enquiries):

(a) there is no breach by the Target or any of its Subsidiaries of any Lease; and

(b) there has been no breach by any landlord or licensor under any Lease.

23 **(Clinical Trials)** To the best of the knowledge and belief of the directors of the Target (after having made reasonable enquiries) and excluding anything Fairly Disclosed in the Target Due Diligence Information, all preclinical studies and clinical trials (and the drug products, including placebos, used in such clinical trials) and other studies and tests conducted by the Target that are directly attributable to CAVATAK have been (and, if still pending, are being) conducted in compliance with all applicable laws (including applicable guidance published by the Therapeutic Goods Administration from time to time) and no clinical trial conducted by the Target that are directly attributable to CAVATAK have been terminated or suspended prior to completion for safety or other non-business reasons, and neither the Therapeutic Goods Administration nor any other Government Agency or Regulatory Authority has commenced or threatened to initiate any action to place a clinical hold order (other than any partial clinical hold order which is Fairly Disclosed in the Target Due Diligence Information) on any ongoing clinical investigation conducted by the Target that is directly attributable to CAVATAK that would have a material adverse impact on that trial.

Schedule 7

Bidder's representations and warranties (clause 14.4)

Save as disclosed in in the Disclosure Materials:

1 **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.

2 **(Execution)** the execution and delivery of this document has been properly authorised by all necessary corporate action of the Bidder.

3 **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this document and to consummate and perform or cause to be performed its obligations under this document in accordance with its terms.

4 **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this document constitutes legal, valid and binding obligations on it.

5 **(Reliance)** the Bidder Information provided to the Target for inclusion in the Scheme Booklet will be provided on the understanding that the Target and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act.

6 **(Bidder Information)** the Bidder Information provided in accordance with this document and included in the Scheme Booklet, as at the date of the Scheme Booklet, will be true and correct, and will comply in all material respects with the requirements of the Corporations Act and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC and the Target Constitution.

7 **(Further information)** the Bidder will, as a continuing obligation, provide to the Target all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of clause 7.1(b) if it applied as at the date on which that information arose.

8 **(Disclosure)** the Bidder has provided to the Target all information actually known to it (having made reasonable enquiries) as at the date of this document regarding matters affecting or relating to it:

(a) which is not already in the public domain; and

(b) the disclosure of which might reasonably have resulted in the Target not entering into this document at all or only entering into this document on materially different terms.

9 **(Complete and accurate)** all the information provided to the Target by the Bidder in connection with this document, whether under due diligence or not, has been prepared and provided in good faith and has been collated with all reasonable care and skill.

10 **(Reasonable assumptions)** to the extent information provided to the Target, whether under due diligence or not, in connection with this document, includes forward looking statements, those forward looking statements are based on assumptions which the Bidder believes, as at the date the information was provided and continues to believe, to be reasonable.

11 **(Compliance)** it and its Subsidiaries have complied in all material respects with all Australian laws and regulations applicable to them and orders of Australian governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted.

12 **(Opinions)** any statement of opinion or belief contained in the Bidder Information is honestly held and there are reasonable grounds for holding the opinion or belief.

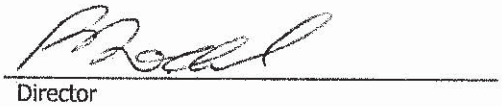
13 **(Provision of information to Independent Expert)** all information provided by or on behalf of the Bidder to the Independent Expert to enable the Independent Expert's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's report.

14 **(Solvency)** it is not Insolvent.

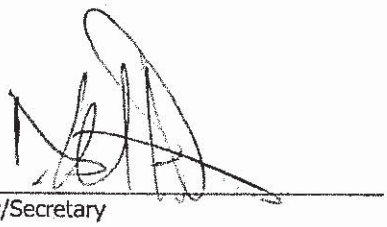
McCullough Robertson

Execution

EXECUTED as an agreement
Executed by
Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 by:



Director



Director/Secretary

PAUL DODD

Full name of Director

DAVID SCOTT

Full name of Director/Secretary

Executed by
Viralytics Limited ACN 010 657 351 by:

Director

Director/Secretary

Full name of Director

Full name of Director/Secretary

Execution

EXECUTED as an agreement
Executed by
Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 by:

⮝ _____	⮝ _____
Director	Director/Secretary
⮝ _____	⮝ _____
Full name of Director	Full name of Director/Secretary

Executed by
Viralytics Limited ACN 010 657 351 by:

⮝ _____	⮝ _____
Director	~~Director~~/Secretary
⮝ MALCOLM LINDSAY MCCOLL	⮝ SARAH ANNE PRINCE
Full name of Director	Full name of ~~Director~~/Secretary

Annexure A

Scheme

Annexure A runs from pages 64 to 79 inclusive.

Lawyers | McCullough Robertson

Scheme of arrangement

Viralytics Limited ACN 010 657 351

Scheme Participants

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000 | GPO Box 1855 Brisbane QLD 4001 Australia | **ABN** 42 721 345 951
Telephone +61 7 3233 8888 | **Fax** +61 7 3229 9949

Offices Brisbane Sydney Melbourne Newcastle

mccullough.com.au

Lawyers | McCullough Robertson

Table of contents

Lawyers | McCullough Robertson

Scheme of arrangement

Dated

Parties

Target	**Viralytics Limited ACN 010 657 351**
	of Suite 305, Level 3, 66 Hunter Street, Sydney, New South Wales 2000
Scheme Participants	**Each person registered as a holder of Target Shares as at 7.00pm (Sydney time) on the Record Date (other than Excluded Shareholders).**

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document terms defined in the Scheme Implementation Agreement have the same meanings when used in this document unless the context otherwise requires, and:

Term	Definition
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bidder	means Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245.
Business Day	means a business day as defined in the Listing Rules.
CHESS	means the Clearing House Electronic Subregister System managed by ASX.
Corporations Act	means the *Corporations Act 2001* (Cth).
Court	means the Federal Court of Australia, or the Supreme Court of New South Wales, to be agreed by the Bidder and the Target.
Deed Poll	means the deed poll executed by the Bidder substantially in the form of Annexure B of the Scheme Implementation Agreement, under which the Bidder covenants in favour of each Scheme Participant to perform its obligations under this Scheme.
Effective	means the coming into effect, pursuant to section 411(10) Corporations Act, of the order of the Court

Term	Definition
	made under section 411(4)(b) Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Encumbrance	means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement having the same effect.
End Date	means 31 July 2018 or such other date as determined in accordance with the terms of the Scheme Implementation Agreement.
Excluded Share	means a Target Share held by an Excluded Shareholder as at the Record Date.
Excluded Shareholder	means the Bidder and its Associates.
Immediately Available Funds	means electronic funds transfer or other form of cleared funds acceptable to the Target.
Implementation Date	means the fifth Business Day following the Record Date or such other date as is agreed in writing by the Bidder and the Target.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Record Date	means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date or such other date as the Target and the Bidder agree in writing.
Register	means the share register of the Target and Registry has a corresponding meaning.
Registered Address	means, in relation to a Target Shareholder, the address shown in the Register.
Regulatory Authority	means: (a) ASX and ASIC; (b) the Takeovers Panel; (c) a government or governmental, semi-governmental or judicial entity or authority; (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (e) any regulatory organisation established under statute.
Scheme	means this scheme of arrangement between the Target and Scheme Participants under which all of the Scheme Shares will be transferred to the Bidder under Part 5.1

Term	Definition
	Corporations Act as described in clause 5.2 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) Corporations Act to the extent they are approved in writing by the Target and the Bidder in accordance with clause 8.2 of this Scheme.
Scheme Consideration	means $1.75 for each Scheme Share.
Scheme Implementation Agreement	means the scheme implementation agreement dated 21 February 2018 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose this Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to this Scheme.
Scheme Meeting	means the meeting of Target Shareholders ordered by the Court to be convened pursuant to section 411(a) Corporations Act at which Target Shareholders will vote on this Scheme.
Scheme Participant	means each person registered as a Target Shareholder at the Record Date, other than an Excluded Shareholder.
Scheme Share	means a Target Share on issue as at the Record Date other than an Excluded Share.
Second Court Date	means the day on which the Court makes an order pursuant to section 411(4)(b) Corporations Act approving this Scheme.
Share Scheme Transfer	means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B Corporations Act, which may be a master transfer of all Scheme Shares.
Takeovers Panel	means the review body continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 Corporations Act.
Target Option	means any option issued by the Target in respect of the Target Shares, whether vested or unvested.
Target Performance Rights	means any performance rights issued by the Target in respect of the Target Shares, whether vested or unvested.
Target Share	means a fully paid ordinary share in the capital of the Target.
Target Shareholder	means each person registered in the Register as a holder of the Target Shares.
Trust Account	means the trust account operated by or on behalf of the Target to hold the Scheme Consideration on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.3 of this Scheme, as

Term	Definition
	nominated by the Target at least five Business Days prior to the Implementation Date.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

(a) a document, agreement (including this document) or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;

(b) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;

(c) a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(d) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

(e) the singular includes the plural and vice versa;

(f) a party means a party to this Scheme;

(g) the word ‘person’ includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

(h) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(i) Australian dollars, dollars, A$ or$ is a reference to the lawful currency of Australia;

(j) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;

(k) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(l) the words ‘include’, ‘including’, ‘for example’ or ‘such as’ when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and

(m) time is a reference to Sydney, New South Wales time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 The Target

(a) The Target is a public company limited by shares incorporated in Australia and registered in New South Wales. Its registered office is at Suite 305, Level 3, 66 Hunter Street, Sydney, NSW 2000.

(b) The Target is admitted to the official list of the ASX and Target Shares are officially quoted on the stock market conducted by ASX.

(c) As at the date of the Scheme Implementation Agreement, 278,262,889 Target Shares were on issue.

2.2 The Bidder

(a) The Bidder is a proprietary limited by shares and is incorporated in Australia and registered in New South Wales. Its registered office is at Building A, Level 1, 26-38 Talavera Road, Macquarie Park NSW 2113.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

(a) in consideration of the transfer of each Scheme Share to the Bidder, the Target will procure the Bidder to provide the Scheme Consideration to the Target on behalf of each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;

(b) all Scheme Shares, and all the rights and entitlements attaching to them, will be transferred to the Bidder on the Implementation Date; and

(c) the Target will enter the name of the Bidder in the Register in respect of all Scheme Shares transferred to the Bidder in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

By executing the Scheme Implementation Agreement, the Target and the Bidder have agreed to implement the terms of this Scheme.

2.5 Deed Poll

The Bidder has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to pay the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;

(b) all of the conditions precedent in schedule 2 of the Scheme Implementation Agreement having been satisfied or waived (other than the condition precedent relating to the approval of the Court in item 3 and lodgment of an office copy of the Court Order with ASIC in item 4) in accordance with the terms of the Scheme Implementation Agreement;

(c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) Corporations Act, and if applicable, the Target and the Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) Corporations Act and any such conditions having been satisfied or waived; and

(d) the coming into effect, pursuant to section 411(10) Corporations Act, of the orders of the Court made under section 411(4)(b) Corporations Act (and, if applicable, section 411(6) Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clauses 5 and 6

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clauses 5 and 6 of this Scheme.

3.3 Certificate in relation to conditions precedent

The Target and the Bidder must each provide to the other by 8:00am on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless the Target and the Bidder otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

The Target must lodge with ASIC in accordance with section 411(10) Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as the Bidder and the Target agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the Scheme becoming Effective and payment of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 and 6.5 of this Scheme and the Bidder having provided the Target with written confirmation thereof:

(a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder without the need for any further act by any Scheme Participant (other than acts performed by the Target as attorney and agent for Scheme Participants under clause 8.1 of this Scheme) by:

(i) the Target delivering to the Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and

(ii) the Bidder duly executing the Share Scheme Transfer and delivering it to the Target for registration; and

(iii) to the extent applicable, the Target effecting a valid transfer of Scheme Shares under section 1074D of the Corporations Act;

(b) immediately following receipt of the duly executed Share Scheme Transfer, the Target must enter the name of the Bidder in the Register in respect of all Scheme Shares transferred to the Bidder in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to the Bidder of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date, the Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by the Target of the Bidder in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to the Bidder and is deemed to have authorised the Target as agent and attorney for the Scheme Participant by virtue of this clause 5.6 to warrant to the Bidder, that:

(a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to the under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

(b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to the Bidder under the Scheme.

5.7 Transfer free of encumbrances

To the extent permitted by law, all Target Shares (including any rights and entitlements attaching to those shares) which are transferred to the Bidder under this Scheme will, at the date of the transfer of them to the Bidder, vest in the Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of the Bidder as sole proxy

Subject to the payment of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date until the Target registers the Bidder as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

(a) irrevocably appoints the Bidder and each of its directors from time to time jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)); and

(b) must take all other actions in the capacity of the registered holder of Scheme Shares as the Bidder directs; and

(c) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a), the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 5.8(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

6 Scheme Consideration

6.1 Consideration under the Scheme

The Target and the Bidder must pay (or procure the payment of) the Scheme Consideration to the Scheme Participants in accordance with this clause 6.

6.2 Satisfaction of obligations

The Bidder must, and the Target must use its best endeavours to procure that the Bidder does, no later than two Business Days before the Implementation Date, deposit (or procure the

deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to the Bidder's account).

6.3 Payment of Scheme Consideration

On the Implementation Date, subject to receipt of the Scheme Consideration from the Bidder in accordance with clause 6.2 of this Scheme, the Target must pay or procure payment to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to the Bidder on the Implementation Date by that Scheme Participant, whereby the amounts referred to in this clause 6.3 of this Scheme must be paid by:

(a) where a Scheme Participant before the Record Date has made an election in accordance with the requirements of the Register to receive dividend payments from the Target by electronic funds transfer to a bank account nominated by the Scheme Participant, paying by direct credit to the nominated bank account; or

(b) where a Scheme Participant has not made an election referred to in clause 6.3(a), sending a cheque drawn on an Australian bank in Australian currency to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date (or in the case of joint holders, in accordance with the procedures set out in clause 6.6).

6.4 Unclaimed monies

(a) The Target may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

(i) is returned to the Target; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of one year commencing on the Implementation Date, on a written request from a Scheme Participant, the Target must reissue a cheque that was previously cancelled under this clause 6.4. Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Bidder.

(c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined under the *Unclaimed Money Act 1995* (NSW)).

6.5 Orders of a court

(a) In the case of notice having been given to the Target (or the Registry) of an order made by a court of competent jurisdiction:

(i) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then the Target shall procure that payment is made in accordance with that order; or

(ii) which would prevent the Target from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme;

(b) the Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

6.6 Joint holders

In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Participants by the Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by the Target if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 7.00pm (Sydney time) on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm (Sydney time) the Record Date at the place where the Register is kept.

7.2 Register

The Target must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 7.00pm (Sydney time) on the Record Date.

7.3 No disposals after Record Date

(a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

(b) The Target will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 7.00pm (Sydney time) on the Record Date (except a transfer to the Bidder pursuant to this Scheme and any subsequent transfer by the Bidder or its successors in title) or received prior to the Record Date but not in registrable or actionable form.

7.4 Maintenance of Target Register

For the purpose of determining entitlements to the Scheme Consideration, the Target will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and the Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to the Bidder contemplated in clauses 5.2 and 6.3 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after 7.00pm (Sydney time) on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of the Bidder, its Associates and their successors in title). After 7.00pm (Sydney time) on the Record Date, each entry current on the Register as at 7.00pm (Sydney time) on the Record Date (other than entries in respect of the Bidder, its Associates or their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within two Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 7.00pm (Sydney time) on the Record Date are available to the Bidder in such form as the Bidder reasonably requires.

7.7 Quotation of Target Shares

(a) The Target will apply to ASX to suspend trading on ASX in Target Shares with effect from the close of trading on ASX on the Effective Date.

(b) After the Scheme has been fully implemented, the Target will apply:

(i) for termination of the official quotation of Target Shares on ASX; and

(ii) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints the Target and each of its directors and secretaries jointly and each of them individually) as its attorney and agent for the purpose of:

(a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;

(b) enforcing the Deed Poll against the Bidder,

and the Target accepts such appointment. The Target as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors, officers, secretaries or employees jointly, severally or jointly and severally).

8.2 Variations, alterations and conditions

The Target may, with the consent of the Bidder (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose. Each Scheme Participant agrees to any such variation, alteration or condition.

8.3 Further action by the Target

The Target will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants:

(a) irrevocably consents to the Target and the Bidder doing all things and executing all deeds, instruments, transfers or other documents necessary or expedient for or incidental to the implementation of this Scheme; and

(b) acknowledges that this Scheme binds the Target and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at the Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the Target's constitution.

8.5 No liability when acting in good faith

Neither the Target nor the Bidder, nor any of their respective directors, officers, employees and advisors (as applicable), will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Deed Poll

The Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against the Bidder on behalf of and as agent and attorney for the Scheme Participants.

8.7 Stamp duty

The Bidder will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

8.8 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Target's registered office or at the office of the registrar of Target Shares.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law and jurisdiction

This Scheme is governed by the law in force in New South Wales. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place and waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

Execution

EXECUTED as an agreement

Executed by
Viralytics Limited ACN 010 657 351
on / /20 by:

Director	Director/Secretary
Full name of Director	Full name of Director/Secretary

Annexure B

Deed Poll

Annexure B runs from pages 81 to 87 inclusive.

Lawyers | McCullough Robertson

Deed poll

Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245

Scheme Participants

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000 | GPO Box 1855 Brisbane QLD 4001 Australia | **ABN** 42 721 345 951
Telephone +61 7 3233 8888 | **Fax** +61 7 3229 9949

Offices Brisbane Sydney Melbourne Newcastle

mccullough.com.au

Deed poll

Dated

By

Bidder **Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245** of Building A, Level 1, 26-38 Talavera Road, Macquarie Park NSW 2113 (**Bidder**)

In favour of

Target **Each person registered as a holder of Target Shares as at 7.00pm (Sydney time) on the Record Date (other than Excluded Shareholders)**

Background

A The Target and the Bidder have entered into the Scheme Implementation Agreement.

B In the Scheme Implementation Agreement, the Bidder agreed (amongst other things) to pay the Scheme Consideration to the Target on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.

C The Bidder is entering into this document for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

D The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to the Bidder in exchange for the Scheme Consideration.

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document, terms defined in the Scheme have the same meaning when used in this document, and:

Term	Definition
Authorised Officer	means: (a) in respect of the Bidder, each of its directors, or any other person nominated by the Bidder to act as an Authorised Officer under this document and notified to the Target in writing; and (b) in respect of the Target, each of its directors, or

Term	Definition
	any other person nominated by the Target to act as an Authorised Officer under this document and notified to the Bidder in writing.
Scheme	means the proposed scheme of arrangement between the Target and Scheme Participants under which all the Scheme Shares will be transferred to the Bidder under Part 5.1 Corporations Act, substantially in the form of Annexure A to this document, or as otherwise agreed by the Bidder and the Target, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) Corporations Act, to the extent they are approved in writing by the Target and the Bidder.
Scheme Implementation Agreement	means the scheme implementation agreement dated 21 February 2018 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose the Scheme to the Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to the Scheme.

1.2 Interpretation

In this document:

(a) a reference to a clause, schedule, annexure or party is a reference to a clause of, and a schedule, annexure or party to, this document and references to this document include any schedules or annexures;

(b) a reference to a party to this document or any other document or agreement includes the party's successors, permitted substitutes and permitted assigns;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a document or agreement (including a reference to this document) is to that document or agreement as amended, supplemented, varied or replaced;

(e) a reference to this document includes the agreement recorded by this document;

(f) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;

(g) if any day on or by which a person must do something under this document is not a Business Day, then the person must do it on or by the next Business Day;

(h) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity; and

(i) a reference to 'month' means calendar month;

(j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

(k) a reference to 'month' means calendar month; and

(l) time is a reference to New South Wales time.

1.3 Headings

Headings are for convenience only and do not affect the interpretation of this document.

1.4 Nature of document

The Bidder acknowledges that:

(a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and

(b) under the Scheme, the Target undertakes to enforce this document against the Bidder on behalf of and as agent and attorney for each Scheme Participant.

2 Conditions precedent and termination

2.1 Conditions precedent

The Bidder's obligations under this document are subject to the Scheme becoming Effective.

2.2 Termination

The Bidder's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

(a) the Scheme has not become Effective on or before the End Date; or

(b) the Scheme Implementation Agreement is terminated in accordance with its terms prior to the occurrence of the Effective Date for the Scheme,

unless the Bidder and the Target otherwise agree in writing.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

(a) the Bidder is released from its obligations to further perform this document except those obligations contained in clause 7.1; and

(b) each Scheme Participant retains the rights, powers or remedies they have against the Bidder in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

The Bidder undertakes in favour of each Scheme Participant that it will fulfil its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

4 Scheme Consideration

4.1 Provision of Scheme Consideration

Subject to clause 2, the Bidder undertakes in favour of each Scheme Participant to pay or procure the payment of the Scheme Consideration to the trust account held by the Target on behalf of each Scheme Participant subject to and in accordance with the terms of the Scheme.

4.2 Payment of Scheme Consideration

The Bidder's obligation to provide the Scheme Consideration to the Target on behalf of each Scheme Participant is satisfied by the Bidder, no later than two Business Days before the Implementation Date, depositing in immediately available funds the aggregate amount of the scheme Consideration payable to all Scheme Participants into the trust account held by the Target on behalf of each Scheme Participant (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to the Bidder's account).

5 Representations and warranties

The Bidder represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;

(c) it has taken all necessary corporate action to authorise its entry into this document and has taken or will take all necessary corporate action to authorise the performance of this document and to carry out the transactions contemplated by this document; and

(d) this document is valid and binding upon the Bidder and enforceable against the Bidder in accordance with its terms.

6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) the Bidder has fully performed its obligations under this document; or

(b) the earlier termination of this document under clause 2.2.

7 General

7.1 Stamp duty

The Bidder must:

(a) pay all stamp duty (including fines, penalties and interest) payable and assessed on or in connection with this document, the performance of this document, or any instruments entered into under this document and in respect of a transaction effected by or made under the Scheme and this document; and

(b) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

Unless expressly stated otherwise in this document, all notices, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and sent to the address stated in the Scheme Implementation Agreement, or as otherwise advised by the party from time to time, and marked to the attention of the person stated in the details.

7.3 Waiver

(a) A waiver of any right arising from a breach of this document or of any right, power, authority, discretion or remedy arising upon default under this document must be in writing and signed by the party giving the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this document; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this document,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

7.4 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

(a) the variation is agreed to by the Target and the Bidder in writing; and

(b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event the Bidder must enter into a further document in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

7.5 Remedies cumulative

The rights, powers and remedies of the Bidder and the Scheme Participants under this document are cumulative and are in addition to, and do not exclude any, other rights, powers and remedies given by law independently of this document.

7.6 Assignment

The rights and obligations of the Bidder and each Scheme Participant under this document are personal and must not e assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of the Bidder and the Target.

7.7 Governing law and jurisdiction

This document is governed by the law in force in New South Wales. The Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place.

7.8 Further action

The Bidder must execute all deeds and other documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

7.9 Service of process

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of New South Wales or courts of appeal from them (including any writ of summons or other originating process or any third or other party notice) may be served on the Bidder by being delivered to or left for the Bidder at the address shown in the Scheme Implementation Agreement.

Execution

EXECUTED as a deed poll

Signed, sealed and delivered by
Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 by:

Signature of authorised person	Signature of witness
Name of authorised person	Name of witness

Annexure C

Registered Intellectual Property

Annexure C runs from page 89 to page 95 inclusive.

PATENT REPORT - External

Viralytics Limited – 9 Feb 2018

Family Name – Coxsackievirus

Entitled: "A method of treating a malignancy in a subject and a pharmaceutical composition for use in same".

S&F Case No.	Country	Official No.	Case Status
	Australia	PQ 4256	Provisional application filed 25 Nov 1999. Ceased.
	PCT	PCT/AU00/01461 (WO 01/37866)	PCT application filed 27 Nov 2000. Ceased. National phases shown below.
698317AU	Australia	770517	Patent granted 10 June 2004; expiry date 27 Nov. 2020.
698317AUD1	Australia	2004202292	Patent granted 26 Sept 2007; expiry date 27 Nov. 2020.
698317CA	Canada	2422429	Patent granted 11 March 2014. Expiry date 27 Nov 2020.
698317EP	Europe	EP1235590 (previously 00979268.0)	Patent granted; 22 Oct. 2008; expiry date 27 Nov. 2020. Registered in AT, BE,CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE, TR.
698317EPD1	Europe (divisional)	EP2016952 (previously application no. 08018165.4)	Patent granted 25 Dec 2013. Expiry date 27 Nov 2020. Registered in DE, ES, FR, GB, IT.
698317JP	Japan	5085825 (previously application no. 2001-539480)	Patent granted 14 Sept. 2012; expiry date 27 Nov. 2020.
698317NZ	New Zealand	519527	Patent granted 10 May 2004; expiry date 27 Nov. 2020.
698317US	USA	7,361,354 (previously application no. 10/148008)	Patent granted 22 April 2008; expiry date 12 April 2022.
698317USC1	USA	8,722,036 (previously application no. 12/040813)	Patent granted 13 May 2014. Expiry date 30 Sep 2021.

698317USC4	USA	15/406459	Application pending.

Family Name – Echovirus

Entitled: "A method of treating a malignancy in a subject via direct picornaviral-mediated oncolysis".

S&F Case No.	Country	Official No.	Case Status
	Australia prov.	2002953436	Provisional application filed 18 Dec 2002. Ceased.
686338C	PCT	PCT/AU2003/001688 (WO2004/054613)	Application filed 18 Dec 2003. Ceased. National phase entered (see below).
686338AU	Australia	2003287773	Patent granted 26 Nov. 2009; expiry date 18 Dec. 2023.
686338CA	Canada	2510227	Patent granted 31 March 2015; expiry date 18 Dec 2023.
686338CN	China	178242 (previously application no. 200380109808.3)	Patent granted 8 June 2011; expiry date 18 Dec. 2023.
686338CND1	China (divisional)	102166228 (previously application no. 201110091011.1)	Patent granted 19 Feb 2014. Expiry date 17 Dec 2023.
686338EP	Europe	EP1581257 (previously application no. 03779569.7)	Patent granted 30 April 2014. Expiry date 18 Dec 2023. Registration in DE, ES, FR, GB, IT.
686338IN	India	219479 (previously 2950/DELP/0)	Patent granted 7 May 2008; expiry date 18 Dec. 2023.
686338NZ	New Zealand	541230	Patent granted 14 Aug. 2008; expiry date 18 Dec. 2023.
686338SG	Singapore	113802 (Previously application no. 2005039524)	Patent granted 29 June 2007; expiry date 18 Dec. 2023.
686338ZA	South Africa	2005/05389	Patent granted 27 Sept. 2006; expiry date 18 Dec. 2023.
686338KR	South Korea	101171295 (previously application no. 2005-7011510)	Patent granted 31 July 2012; expiry date 18 Dec. 2023.
686338US	USA	7,485,292 (was 10/539219)	Patent granted 3 Feb. 2009; expiry date 13 June 2024.
686338HK	Hong Kong	HK1082194 (previously application no. 06103056.9)	Patent granted 31 Oct 2014; expiry date 18 Dec 2023. Re-registration of EP Patent 1581257.
686338HKD1	Hong Kong	HK1157657 (previously application no. 11112125.0)	Patent granted 4 July 2014; expiry date 18 Dec 2023. Re-registration of Chinese divisional

S&F Case No.	Country	Official No.	Case Status
			CN ZL201110091011.1.

Family Name – Variants

Entitled: "Modified oncolytic viruses".

S&F Case No.	Country	Official No.	Case Status
	USA prov.	60/552,095	US provisional application filed 11 March 2004. Ceased.
699860C	PCT	PCT/AU2005/000048 (WO2005/087931)	Application filed 17 Jan 2005. Ceased. National phase entered (see below).
699860AU	Australia	2005221725	Patent granted 7 Oct 2010; expiry date 17 Jan. 2025.
699860ZA	South Africa	2006/08222	Patent granted 30 Jan 2009; expiry date 17 Jan. 2025.
699860US	USA	8,114,416 (previously application no. 10/592395)	Patent granted 14 Feb. 2012; expiry date 20 Sept. 2025.

Family Name – Hematologic

Entitled: "Methods and compositions for treatment of hematologic cancers".

S& F Case No.	Country	Official No.	Case Status
698304	Australia prov.	2004904766	Provisional Application filed 20 Aug 2004. Ceased.
715809	Australia prov.	2005901879	Provisional Application filed 14 Apr 2005. Ceased.
698304C	PCT	PCT/AU2005/001257 (WO2006/017914)	Application filed 22 Aug 2005. Ceased. National phase applications entered (see below).
698304AU	Australia	2005274617	Patent granted 22 Mar 2012; expiry date 22 Aug. 2025.
698304CA	Canada	2577692	Patent granted 6 May 2014. Expiry date 22 Aug 2025 (est.)
698304CN	China	101065144 (previously application no. 200580034763.7)	Patent granted 13 June 2012. Expiry date 22 Aug. 2025.
698304EP	Europe	05773382.6	Patent granted 5 Oct 2016. Registered in DE, FR, GB.
698304HK	Hong Kong	07108488.5	Re-registration proceedings
698304JP	Japan	5054522 (previously application no. 2007-526129)	Patent granted 3 August 2012. Expiry date 22 Aug 2025.
698304KR	South Korea	101295733 (previously application no. 10-2007-7006358)	Patent granted 6 August 2013. Expiry date 22 Aug 2025.
698304SG	Singapore	130382 (previously application no. 2007014285)	Patent granted 15 Mar. 2011; expiry date 22 Aug. 2025.
698304US	United States	US 8,236,298 (previously application no. 11/660,458)	Patent granted on 7 Aug. 2012. Expiry date 20 Jun 2028.
698304ZA	South Africa	2007/02269	Patent granted 25 Sept. 2008; expiry date 22 Aug. 2025.

Family Name – Naked RNA

Entitled: "Method and composition for treatment of neoplasms". (WO 2006/074526)

Item	S& F Case No.	Country	Official No.	Case Status
1.	698478	Australia provisional	2005900179	Provisional Application filed 17 Jan 2005. Ceased.
2.	698478C	PCT	PCT/AU2006/00051 (WO2006/074526)	PCT filed 17 Jan 2006. Ceased. National phase entries (see below)
4.	698478CN	China	101132798 ZL200680006483.X (previously application no. 200680006483.X)	Patent granted 27 April 2011. Expiry date 17 Jan 2026.
8.	698478HK	Hong Kong	HK1110802 (previously application no. 08105564.7)	Patent granted 25 Nov. 2011; expiry date 17 Jan. 2026.

Family Name – Bladder Cancer

Entitled: "Methods for the treatment of bladder cancer"

S& F Case No.	Country	Official No.	Case Status
P079797US	US prov.	61/836083	US Provisional application filed 17 June 2013. Ceased.
P098023C	PCT	PCT/AU2014/000611 (WO2014/201492)	PCT application filed 13 June 2014. Ceased. National phase applications as below.
P098023AU	Australia	2014284100	Application pending.
P098023CA	Canada	2915397	Application pending.
P098023US	USA	14/896913	Application pending.

Family Name – Combination therapy

Entitled "Combination method for treatment of cancer"

S& F Case No.	Country	Official No.	Case Status
P104361	Australia prov.	2014900647	Provisional application filed on 27 Feb 2014. Ceased.
P104361C	PCT	PCT/AU2015/000111 (WO2015/127501)	PCT application filed 27 Feb 2015. Ceased. National phase entries as shown below.
P104361AU	Australia	2015222685	Application pending.
P104361CA	Canada	2940570	Application pending.
P104361CN	China	201580022374.6	Application pending.
P104361EP	Europe	15754456.0 (re-publication no. 3110443)	Application pending.
P104361HK	Hong Kong	17100893.9	Application pending.
P104361JP	Japan	2016-554571	Application pending.
P104361KR	South Korea	10-2016-7026143	Application pending.
P104361NZ	New Zealand	723574	Application pending.
P104361SG	Singapore	11201607130R	Application pending.
P104361USC1	USA	15/868805	Application pending.

Annexure C

Scheme of arrangement

Lawyers | McCullough Robertson

Scheme of arrangement

Viralytics Limited ACN 010 657 351

Scheme Participants

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000 | GPO Box 1855 Brisbane QLD 4001 Australia | **ABN** 42 721 345 951
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Offices Brisbane Sydney Melbourne Newcastle

mccullough.com.au

Lawyers | McCullough Robertson

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Lawyers | McCullough Robertson

Scheme of arrangement

Parties

Target	**Viralytics Limited ACN 010 657 351**
	of Suite 305, Level 3, 66 Hunter Street, Sydney, New South Wales 2000
Scheme Participants	**Each person registered as a holder of Target Shares as at 7.00pm (Sydney time) on the Record Date (other than Excluded Shareholders).**

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document terms defined in the Scheme Implementation Agreement have the same meanings when used in this document unless the context otherwise requires, and:

Term	Definition
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given in section 12 Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bidder	means Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245.
Business Day	means a business day as defined in the Listing Rules.
CHESS	means the Clearing House Electronic Subregister System managed by ASX.
Corporations Act	means the *Corporations Act 2001* (Cth).
Court	means the Federal Court of Australia, or the Supreme Court of New South Wales, to be agreed by the Bidder and the Target.
Deed Poll	means the deed poll executed by the Bidder substantially in the form of Annexure B of the Scheme Implementation Agreement, under which the Bidder covenants in favour of each Scheme Participant to perform its obligations under this Scheme.
Effective	means the coming into effect, pursuant to section 411(10) Corporations Act, of the order of the Court made under section 411(4)(b) Corporations Act in relation to this Scheme, but in any event at no time

Term	Definition
	before an office copy of the order of the Court is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Encumbrance	means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement having the same effect.
End Date	means 31 July 2018 or such other date as determined in accordance with the terms of the Scheme Implementation Agreement.
Excluded Share	means a Target Share held by an Excluded Shareholder as at the Record Date.
Excluded Shareholder	means the Bidder and its Associates.
Immediately Available Funds	means electronic funds transfer or other form of cleared funds acceptable to the Target.
Implementation Date	means the fifth Business Day following the Record Date or such other date as is agreed in writing by the Bidder and the Target.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Record Date	means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date or such other date as the Target and the Bidder agree in writing.
Register	means the share register of the Target and Registry has a corresponding meaning.
Registered Address	means, in relation to a Target Shareholder, the address shown in the Register.
Regulatory Authority	means: (a) ASX and ASIC; (b) the Takeovers Panel; (c) a government or governmental, semi-governmental or judicial entity or authority; (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (e) any regulatory organisation established under statute.
Scheme	means this scheme of arrangement between the Target and Scheme Participants under which all of the Scheme Shares will be transferred to the Bidder under Part 5.1 Corporations Act as described in clause 5.2 of this Scheme, in consideration for the Scheme Consideration,

Term	Definition
	subject to any amendments or conditions made or required by the Court pursuant to section 411(6) Corporations Act to the extent they are approved in writing by the Target and the Bidder in accordance with clause 8.2 of this Scheme.
Scheme Consideration	means $1.75 for each Scheme Share.
Scheme Implementation Agreement	means the scheme implementation agreement dated 21 February 2018 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose this Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to this Scheme.
Scheme Meeting	means the meeting of Target Shareholders ordered by the Court to be convened pursuant to section 411(a) Corporations Act at which Target Shareholders will vote on this Scheme.
Scheme Participant	means each person registered as a Target Shareholder at the Record Date, other than an Excluded Shareholder.
Scheme Share	means a Target Share on issue as at the Record Date other than an Excluded Share.
Second Court Date	means the day on which the Court makes an order pursuant to section 411(4)(b) Corporations Act approving this Scheme.
Share Scheme Transfer	means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B Corporations Act, which may be a master transfer of all Scheme Shares.
Takeovers Panel	means the review body continuing in existence under section 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) and given powers under Part 6.10 Corporations Act.
Target Option	means any option issued by the Target in respect of the Target Shares, whether vested or unvested.
Target Performance Rights	means any performance rights issued by the Target in respect of the Target Shares, whether vested or unvested.
Target Share	means a fully paid ordinary share in the capital of the Target.
Target Shareholder	means each person registered in the Register as a holder of the Target Shares.
Trust Account	means the trust account operated by or on behalf of the Target to hold the Scheme Consideration on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.3 of this Scheme, as nominated by the Target at least five Business Days

Term	Definition
	prior to the Implementation Date.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

(a) a document, agreement (including this document) or instrument is a reference to that document, agreement or instrument as amended, consolidated, supplemented, novated or replaced;

(b) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;

(c) a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(d) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);

(e) the singular includes the plural and vice versa;

(f) a party means a party to this Scheme;

(g) the word ‘person’ includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

(h) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;

(i) Australian dollars, dollars, A$ or$ is a reference to the lawful currency of Australia;

(j) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;

(k) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(l) the words ‘include’, ‘including’, ‘for example’ or ‘such as’ when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and

(m) time is a reference to Sydney, New South Wales time.

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 The Target

(a) The Target is a public company limited by shares incorporated in Australia and registered in New South Wales. Its registered office is at Suite 305, Level 3, 66 Hunter Street, Sydney, NSW 2000.

(b) The Target is admitted to the official list of the ASX and Target Shares are officially quoted on the stock market conducted by ASX.

(c) As at the date of the Scheme Implementation Agreement, 278,262,889 Target Shares were on issue.

2.2 The Bidder

(a) The Bidder is a proprietary limited by shares and is incorporated in Australia and registered in New South Wales. Its registered office is at Building A, Level 1, 26-38 Talavera Road, Macquarie Park NSW 2113.

2.3 If Scheme becomes Effective

If this Scheme becomes Effective:

(a) in consideration of the transfer of each Scheme Share to the Bidder, the Target will procure the Bidder to provide the Scheme Consideration to the Target on behalf of each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;

(b) all Scheme Shares, and all the rights and entitlements attaching to them, will be transferred to the Bidder on the Implementation Date; and

(c) the Target will enter the name of the Bidder in the Register in respect of all Scheme Shares transferred to the Bidder in accordance with the terms of this Scheme.

2.4 Scheme Implementation Agreement

By executing the Scheme Implementation Agreement, the Target and the Bidder have agreed to implement the terms of this Scheme.

2.5 Deed Poll

The Bidder has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to pay the Scheme Consideration.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;

(b) all of the conditions precedent in schedule 2 of the Scheme Implementation Agreement having been satisfied or waived (other than the condition precedent relating to the approval of the Court in item 3 and lodgment of an office copy of the Court Order with ASIC in item 4) in accordance with the terms of the Scheme Implementation Agreement;

(c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) Corporations Act, and if applicable, the Target and the Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) Corporations Act and any such conditions having been satisfied or waived; and

(d) the coming into effect, pursuant to section 411(10) Corporations Act, of the orders of the Court made under section 411(4)(b) Corporations Act (and, if applicable, section 411(6) Corporations Act) in relation to this Scheme.

3.2 Conditions precedent and operation of clauses 5 and 6

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clauses 5 and 6 of this Scheme.

3.3 Certificate in relation to conditions precedent

The Target and the Bidder must each provide to the other by 8:00am on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless the Target and the Bidder otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

The Target must lodge with ASIC in accordance with section 411(10) Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as the Bidder and the Target agree in writing.

5.2 Transfer and registration of Scheme Shares

On the Implementation Date, but subject to the Scheme becoming Effective and payment of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 and 6.5 of this Scheme and the Bidder having provided the Target with written confirmation thereof:

(a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to the Bidder without the need for any further act by any Scheme Participant (other than acts performed by the Target as attorney and agent for Scheme Participants under clause 8.1 of this Scheme) by:

(i) the Target delivering to the Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and

(ii) the Bidder duly executing the Share Scheme Transfer and delivering it to the Target for registration; and

(iii) to the extent applicable, the Target effecting a valid transfer of Scheme Shares under section 1074D of the Corporations Act;

(b) immediately following receipt of the duly executed Share Scheme Transfer, the Target must enter the name of the Bidder in the Register in respect of all Scheme Shares transferred to the Bidder in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to the Bidder of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and rights in Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date, the Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by the Target of the Bidder in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to the Bidder and is deemed to have authorised the Target as agent and attorney for the Scheme Participant by virtue of this clause 5.6 to warrant to the Bidder, that:

(a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to the under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and

(b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to the Bidder under the Scheme.

5.7 Transfer free of encumbrances

To the extent permitted by law, all Target Shares (including any rights and entitlements attaching to those shares) which are transferred to the Bidder under this Scheme will, at the date of the transfer of them to the Bidder, vest in the Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of the Bidder as sole proxy

Subject to the payment of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date until the Target registers the Bidder as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

(a) irrevocably appoints the Bidder and each of its directors from time to time jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)); and

(b) must take all other actions in the capacity of the registered holder of Scheme Shares as the Bidder directs; and

(c) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a), the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 5.8(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

6 Scheme Consideration

6.1 Consideration under the Scheme

The Target and the Bidder must pay (or procure the payment of) the Scheme Consideration to the Scheme Participants in accordance with this clause 6.

6.2 Satisfaction of obligations

The Bidder must, and the Target must use its best endeavours to procure that the Bidder does, no later than two Business Days before the Implementation Date, deposit (or procure the

deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to the Bidder's account).

6.3 Payment of Scheme Consideration

On the Implementation Date, subject to receipt of the Scheme Consideration from the Bidder in accordance with clause 6.2 of this Scheme, the Target must pay or procure payment to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to the Bidder on the Implementation Date by that Scheme Participant, whereby the amounts referred to in this clause 6.3 of this Scheme must be paid by:

(a) where a Scheme Participant before the Record Date has made an election in accordance with the requirements of the Register to receive dividend payments from the Target by electronic funds transfer to a bank account nominated by the Scheme Participant, paying by direct credit to the nominated bank account; or

(b) where a Scheme Participant has not made an election referred to in clause 6.3(a), sending a cheque drawn on an Australian bank in Australian currency to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date (or in the case of joint holders, in accordance with the procedures set out in clause 6.6).

6.4 Unclaimed monies

(a) The Target may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

(i) is returned to the Target; or

(ii) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of one year commencing on the Implementation Date, on a written request from a Scheme Participant, the Target must reissue a cheque that was previously cancelled under this clause 6.4. Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Bidder.

(c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined under the *Unclaimed Money Act 1995* (NSW)).

6.5 Orders of a court

(a) In the case of notice having been given to the Target (or the Registry) of an order made by a court of competent jurisdiction:

(i) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then the Target shall procure that payment is made in accordance with that order; or

(ii) which would prevent the Target from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme;

(b) the Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

6.6 Joint holders

In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Participants by the Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by the Target if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 7.00pm (Sydney time) on the Record Date; and

(b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm (Sydney time) the Record Date at the place where the Register is kept.

7.2 Register

The Target must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 7.00pm (Sydney time) on the Record Date.

7.3 No disposals after Record Date

(a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

(b) The Target will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 7.00pm (Sydney time) on the Record Date (except a transfer to the Bidder pursuant to this Scheme and any subsequent transfer by the Bidder or its successors in title) or received prior to the Record Date but not in registrable or actionable form.

7.4 Maintenance of Target Register

For the purpose of determining entitlements to the Scheme Consideration, the Target will maintain the Register in accordance with the provisions of this clause 7 until the Scheme Consideration has been paid to the Scheme Participants and the Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to the Bidder contemplated in clauses 5.2 and 6.3 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after 7.00pm (Sydney time) on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of the Bidder, its Associates and their successors in title). After 7.00pm (Sydney time) on the Record Date, each entry current on the Register as at 7.00pm (Sydney time) on the Record Date (other than entries in respect of the Bidder, its Associates or their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within two Business Days after the Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 7.00pm (Sydney time) on the Record Date are available to the Bidder in such form as the Bidder reasonably requires.

7.7 Quotation of Target Shares

(a) The Target will apply to ASX to suspend trading on ASX in Target Shares with effect from the close of trading on ASX on the Effective Date.

(b) After the Scheme has been fully implemented, the Target will apply:

(i) for termination of the official quotation of Target Shares on ASX; and

(ii) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints the Target and each of its directors and secretaries jointly and each of them individually) as its attorney and agent for the purpose of:

(a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;

(b) enforcing the Deed Poll against the Bidder,

and the Target accepts such appointment. The Target as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors, officers, secretaries or employees jointly, severally or jointly and severally).

8.2 Variations, alterations and conditions

The Target may, with the consent of the Bidder (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose. Each Scheme Participant agrees to any such variation, alteration or condition.

8.3 Further action by the Target

The Target will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

8.4 Authority and acknowledgement

Each of the Scheme Participants:

(a) irrevocably consents to the Target and the Bidder doing all things and executing all deeds, instruments, transfers or other documents necessary or expedient for or incidental to the implementation of this Scheme; and

(b) acknowledges that this Scheme binds the Target and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at the Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the Target's constitution.

8.5 No liability when acting in good faith

Neither the Target nor the Bidder, nor any of their respective directors, officers, employees and advisors (as applicable), will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.6 Enforcement of Deed Poll

The Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against the Bidder on behalf of and as agent and attorney for the Scheme Participants.

8.7 Stamp duty

The Bidder will pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme.

8.8 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Target's registered office or at the office of the registrar of Target Shares.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9 Governing law and jurisdiction

This Scheme is governed by the law in force in New South Wales. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place and waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

Annexure D

Deed Poll

Lawyers | McCullough Robertson

Deed poll

Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245

Scheme Participants

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000 | GPO Box 1855 Brisbane QLD 4001 Australia | **ABN** 42 721 345 951
Telephone +61 7 3233 8888 | **Fax** +61 7 3229 9949

Offices Brisbane Sydney Melbourne Newcastle

mccullough.com.au

Lawyers | McCullough Robertson

Deed poll

Dated 28 March 2018

By

Bidder **Merck Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245** of Building A, Level 1, 26-38 Talavera Road, Macquarie Park NSW 2113 (**Bidder**)

In favour of

Target **Each person registered as a holder of Target Shares as at 7.00pm (Sydney time) on the Record Date (other than Excluded Shareholders)**

Background

A The Target and the Bidder have entered into the Scheme Implementation Agreement.

B In the Scheme Implementation Agreement, the Bidder agreed (amongst other things) to pay the Scheme Consideration to the Target on behalf of the Scheme Participants, subject to the satisfaction of certain conditions.

C The Bidder is entering into this document for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

D The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to the Bidder in exchange for the Scheme Consideration.

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document, terms defined in the Scheme have the same meaning when used in this document, and:

Term	Definition
Authorised Officer	means: (a) in respect of the Bidder, each of its directors, or any other person nominated by the Bidder to act as an Authorised Officer under this document and notified to the Target in writing; and (b) in respect of the Target, each of its directors, or

Term	Definition
	any other person nominated by the Target to act as an Authorised Officer under this document and notified to the Bidder in writing.
Scheme	means the proposed scheme of arrangement between the Target and Scheme Participants under which all the Scheme Shares will be transferred to the Bidder under Part 5.1 Corporations Act, substantially in the form of Annexure A to this document, or as otherwise agreed by the Bidder and the Target, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) Corporations Act, to the extent they are approved in writing by the Target and the Bidder.
Scheme Implementation Agreement	means the scheme implementation agreement dated 21 February 2018 between the Target and the Bidder under which, amongst other things, the Target has agreed to propose the Scheme to the Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to the Scheme.

1.2 Interpretation

In this document:

(a) a reference to a clause, schedule, annexure or party is a reference to a clause of, and a schedule, annexure or party to, this document and references to this document include any schedules or annexures;

(b) a reference to a party to this document or any other document or agreement includes the party's successors, permitted substitutes and permitted assigns;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a document or agreement (including a reference to this document) is to that document or agreement as amended, supplemented, varied or replaced;

(e) a reference to this document includes the agreement recorded by this document;

(f) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;

(g) if any day on or by which a person must do something under this document is not a Business Day, then the person must do it on or by the next Business Day;

(h) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity; and

(i) a reference to 'month' means calendar month;

(j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;

(k) a reference to 'month' means calendar month; and

(l) time is a reference to New South Wales time.

1.3 Headings

Headings are for convenience only and do not affect the interpretation of this document.

1.4 Nature of document

The Bidder acknowledges that:

(a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it; and

(b) under the Scheme, the Target undertakes to enforce this document against the Bidder on behalf of and as agent and attorney for each Scheme Participant.

2 Conditions precedent and termination

2.1 Conditions precedent

The Bidder's obligations under this document are subject to the Scheme becoming Effective.

2.2 Termination

The Bidder's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

(a) the Scheme has not become Effective on or before the End Date; or

(b) the Scheme Implementation Agreement is terminated in accordance with its terms prior to the occurrence of the Effective Date for the Scheme,

unless the Bidder and the Target otherwise agree in writing.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

(a) the Bidder is released from its obligations to further perform this document except those obligations contained in clause 7.1; and

(b) each Scheme Participant retains the rights, powers or remedies they have against the Bidder in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

The Bidder undertakes in favour of each Scheme Participant that it will fulfil its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

4 Scheme Consideration

4.1 Provision of Scheme Consideration

Subject to clause 2, the Bidder undertakes in favour of each Scheme Participant to pay or procure the payment of the Scheme Consideration to the trust account held by the Target on behalf of each Scheme Participant subject to and in accordance with the terms of the Scheme.

4.2 Payment of Scheme Consideration

The Bidder's obligation to provide the Scheme Consideration to the Target on behalf of each Scheme Participant is satisfied by the Bidder, no later than two Business Days before the Implementation Date, depositing in immediately available funds the aggregate amount of the scheme Consideration payable to all Scheme Participants into the trust account held by the Target on behalf of each Scheme Participant (except that the amount of any interest on the amount deposited (less bank fees and other charges) will be to the Bidder's account).

5 Representations and warranties

The Bidder represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;

(c) it has taken all necessary corporate action to authorise its entry into this document and has taken or will take all necessary corporate action to authorise the performance of this document and to carry out the transactions contemplated by this document; and

(d) this document is valid and binding upon the Bidder and enforceable against the Bidder in accordance with its terms.

6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) the Bidder has fully performed its obligations under this document; or

(b) the earlier termination of this document under clause 2.2.

7 General

7.1 Stamp duty

The Bidder must:

(a) pay all stamp duty (including fines, penalties and interest) payable and assessed on or in connection with this document, the performance of this document, or any instruments entered into under this document and in respect of a transaction effected by or made under the Scheme and this document; and

(b) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

Unless expressly stated otherwise in this document, all notices, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and sent to the address stated in the Scheme Implementation Agreement, or as otherwise advised by the party from time to time, and marked to the attention of the person stated in the details.

7.3 Waiver

(a) A waiver of any right arising from a breach of this document or of any right, power, authority, discretion or remedy arising upon default under this document must be in writing and signed by the party giving the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this document; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this document,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

7.4 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

(a) the variation is agreed to by the Target and the Bidder in writing; and

(b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event the Bidder must enter into a further document in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

7.5 Remedies cumulative

The rights, powers and remedies of the Bidder and the Scheme Participants under this document are cumulative and are in addition to, and do not exclude any, other rights, powers and remedies given by law independently of this document.

7.6 Assignment

The rights and obligations of the Bidder and each Scheme Participant under this document are personal and must not e assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of the Bidder and the Target.

7.7 Governing law and jurisdiction

This document is governed by the law in force in New South Wales. The Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of that place.

7.8 Further action

The Bidder must execute all deeds and other documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

7.9 Service of process

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of New South Wales or courts of appeal from them (including any writ of summons or other originating process or any third or other party notice) may be served on the Bidder by being delivered to or left for the Bidder at the address shown in the Scheme Implementation Agreement.

Execution

EXECUTED as a deed poll

Signed, sealed and delivered by
Merck, Sharp & Dohme (Holdings) Pty Ltd ACN 000 235 245 by:

⮜ Signature of authorised person	⮜ Signature of witness
⮜ PAUL DODD Name of authorised person	⮜ Riad El-Dada Name of witness

Annexure E

Notice of Scheme Meeting

Notice of Court ordered Scheme Meeting of Shareholders of Viralytics Limited ACN 010 657 351

Notice is given that, by an order of the Federal Court of Australia (**Court**), a meeting of Shareholders of Viralytics Limited (**Viralytics**) will be held at the Museum of Sydney, Warrane Theatre, Corner of Bridge and Phillip Streets, Sydney, NSW 2000 on Monday, 28 May 2018 at 2.00pm (Sydney time) (**Scheme Meeting**).

Business

The purpose of the Scheme Meeting is to consider, and if thought fit, to approve a scheme of arrangement (with or without modification) (**Scheme**) between Viralytics and the holders of ordinary shares in Viralytics (**Scheme Shareholders**) as at 7.00pm (Sydney time) on Saturday, 26 May 2018 under part 5.1 *Corporations Act 2001* (Cth) (**Corporations Act**).

To assist you in making an informed voting decision, further information on the Scheme is set out in the Scheme Booklet accompanying this notice. A copy of the Scheme is at Annexure C to the Scheme Booklet and its purpose and effect is explained throughout that document.

Terms used in this notice, including in the resolution set out below, have the same meaning as set out in the glossary of the Scheme Booklet which accompanies this notice.

Resolution

To consider and, if thought fit, to pass the following resolution:

> That, under section 411 Corporations Act, the Scheme proposed to be entered into between Viralytics and holders of its fully paid ordinary shares is approved and the board of directors of Viralytics is authorised to agree to those modifications or conditions which are thought appropriate by the Court and, subject to approval of the Scheme by the Court, to implement the Scheme with any of those modifications or conditions.

The Scheme is subject to the approval of the Court under section 411(4)(b) Corporations Act.

Viralytics intends to apply to the Court for approval of the Scheme, subject to this resolution being passed by the requisite majorities at the Scheme Meeting.

Requisite majority

Under section 411(4)(a)(ii) Corporations Act, this resolution must be passed by a majority in numbers of holders of Viralytics Shares present and voting (either in person or by proxy) and representing at least 75% of the votes cast on the resolution (either in person or by proxy). The vote will be conducted by poll.

Court approval

The Scheme (with or without modification) is subject to the approval of the Federal Court of Australia.

Dated:

Sarah Prince
Company Secretary

Notes

Voting entitlement

Viralytics Shares will be taken to be held by the persons who are the registered holders at 7.00pm (Sydney time) on Saturday, 26 May 2018. All Viralytics Shareholders at that time are entitled to vote at the Scheme Meeting.

How to vote

Viralytics Shareholders entitled to vote at the Scheme Meeting can vote by:

(a) attending the meeting and voting in person;

(b) appointing an attorney to attend the meeting and vote on their behalf, or, in the case of corporate shareholders, a corporate representative to attend the meeting and vote on its behalf;

(c) appointing a proxy to attend and vote on their behalf in their place, using the proxy form accompanying this Notice of Scheme Meeting; or

(d) lodging your vote online.

Submit proxy online

If you would like to lodge your proxy online please follow the instructions below:

1 Go to investorcentre.linkmarketservices.com.au<http://investorcentre.linkmarketservices.com.au/>

2 Enter the Issuer Name: VLA - Viralytics Limited

3 Enter your SRN/HIN

4 Enter the postcode (Australian address) or country code (overseas address) relevant to each share holding.

5 Type the security code, tick the terms & conditions box and then click Login.

6 Click the Voting tab to lodge your proxy.

Voting in person (including by attorney or corporate representative)

1 You should arrive at the venue by 1.30pm (Sydney time) on 28 May 2018 so that your shareholding may be checked against the register and your attendance noted. Please bring your personalised proxy form with you. The barcode at the top of the form will assist you in registering for the Meeting. If you do not bring your proxy form with you to the Meeting you will still be asked to verify your identity.

2 Attorneys should bring the original or a certified copy of the power of attorney under which they are authorised to attend and vote at the meeting.

3 A corporation may appoint an individual to act as its representative to vote in person. The appointment must comply with the requirements of section 250D Corporations Act. The

representative should bring to the meeting evidence of their appointment, including the authority under which it is signed.

Voting by proxy

1 You may appoint a proxy by completing the proxy form accompanying this Scheme Booklet.

2 The proxy need not be a Viralytics Shareholder.

3 You or your attorney must sign the proxy forms.

4 For corporations, the proxy form must be signed by two directors or by a director and a secretary or, for a proprietary company that has a sole director who is also the sole secretary, by that director, or by its attorney or duly authorised officer.

5 Alternatively, the relevant authority (e.g. in the case of proxy forms signed by an attorney, the power of attorney) must either have been exhibited previously to Viralytics or be enclosed with the proxy form.

6 A Viralytics Shareholder entitled to cast two or more votes may appoint two proxies to attend and vote for them. If you want to appoint two proxies, an additional proxy form will be supplied by Viralytics on request. If two proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes.

7 The duly signed proxy form and the original or a certified copy of any relevant authority (if not exhibited previously to Viralytics) must be received by Viralytics no later than 2.00pm on 26 May 2018. Proxy forms received by Viralytics after this time and date will not be valid.

8 Proxy forms must be returned to Viralytics as follows:

Post or deliver to: (If posting within Australia, please use the reply paid envelope provided)	Viralytics Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
Fax to:	+61 2 9287 0309
Date that proxy forms must be received by:	2.00pm (Sydney time) on Saturday, 26 May 2018

Corporate directory

Directors

Mr Paul Hopper – Chairman
Mr Peter Turvey – Non-Executive Director
Dr Leonard Post – Non-Executive Director
Dr Malcolm McColl – Managing Director and Chief Executive Officer

Company Secretary

Ms Sarah Prince

Chief Financial Officer

Mr Robert Vickery

Chief Scientific Officer

Assoc. Prof. Darren Shafren

Registered office

c/- Company Matters Pty Limited
Level 12, 680 George Street
Sydney, NSW 2000

Financial adviser

Lazard
Level 38, Gateway
No.1 Macquarie Place
Sydney, NSW 2000

Lawyers

McCullough Robertson Lawyers
Level 11, 66 Eagle Street
Brisbane, QLD 4000

Independent Expert

Deloitte Corporate Finance Pty Limited
Grosvenor Place, 225 George Street
Sydney, NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW 2000

Share registry

Link Market Services Ltd
Level 12, 680 George Street
Sydney, NSW 2000

Website

www.viralytics.com

Viralytics

Developers of Oncolytic Immunotherapies

ABN 12 010 657 351

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Viralytics Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138
**During business hours (Monday to Friday, 9:00am – 5:00pm)*

ALL ENQUIRIES TO
Telephone: +61 1300 553 490

PROXY FORM - SCHEME MEETING

Terms used but not defined in this Proxy Form have the meaning given to them in the Scheme Booklet dated 20 April 2018.
I/We being a member(s) of Viralytics Limited and entitled to attend and vote at the Viralytics Scheme Meeting hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **2:00pm (Sydney time) on Monday, 28 May 2018 at Warrane Theatre, Museum of Sydney, Corner Phillip and Bridge Streets, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business set out below.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.
Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

		For	Against	Abstain*
1	That, under section 411 Corporations Act, the Scheme proposed to be entered into between Viralytics and holders of its fully paid ordinary shares is approved and the board of directors of Viralytics is authorised to agree to those modifications or conditions which are thought appropriate by the Court and, subject to approval of the Scheme by the Court, to implement the Scheme with any of those modifications or conditions.	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

VLA PRX1801A

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (Sydney time) on Saturday, 26 May 2018,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Viralytics Limited
C/- Link Market Services Limited
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Sydney South NSW 1235
Australia

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+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.