ASX and Media Release

Shareholder Newsletter

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1 May 2013, Sydney, Australia: Viralytics Limited (ASX: VLA, OTC: VRACY) advises that the attached newsletter will be sent to the Company's shareholders next week.

Enquiries:
Dr Malcolm McColl
Chief Executive Officer
02 9988 4000

About Viralytics Ltd: Viralytics is listed on the Australian Securities Exchange (ASX code: VLA), Viralytics ADR trades under VRACY on the OTC market in the USA. Viralytics' principal asset is the intellectual property relating to CAVATAK™, an Oncolytic Virus technology. CAVATAK™ is the trade name for Viralytics' proprietary formulation of the Coxsackievirus Type A21 (CVA21). CVA21 and EV1 are viruses that occur naturally in the community. CVA21 and EV1 attach to the outside of cells, using a specific 'receptor' on the cell's surface (like a key fitting a lock). CVA21 uses the receptors, intercellular adhesion molecule-1 (ICAM-1) and/or decay accelerating factor (DAF) to bind and infect target cells. Both of these receptor proteins have been demonstrated to be highly expressed on multiple cancer types, including melanoma, prostate cancer, breast cancer, multiple myeloma and others. EV1 uses the receptor, int□grin α2β1 (alpha 2 beta 1) receptor to bind and infect target cells. Integrin α2β1 (alpha 2 beta 1) has been demonstrated to be highly expressed on multiple cancer types, including prostate cancer, ovarian cancer and others.

VIRALYTICS
Developers of Oncolytic Virotherapeutics

An Oncolytic Virotherapy company developing new drugs to treat a wide range of cancers

SHAREHOLDER UPDATE - April 2013

LATEST NEWS

It is a very exciting time for Viralytics! We have encouraging results from initial patients on our CAVATAK™ Phase II Melanoma trial. We aim to start treating patients via intravenous delivery of CAVATAK™ later this year and our new CEO has hit the ground running!

WELCOME Dr Malcolm McColl

This newsletter is my first note to all of you, our loyal shareholders.

You have been steadfast in your support and contribution to the company and for the first time, I am in a position to give you an update on our progress and future plans. I've structured this on a Q&A basis and hopefully the questions we've posed would be the ones you would ask were you sitting across from me.

A company is not just about protocols and procedures. It is also about those of us who work from within and accordingly I've included a few pics of our small management team here in Sydney and the remarkable people who run our lab at The Hunter Medical Research Institute.

I've also included the first of our, "Director's profiles," so you get to know a bit more than the normal professional descriptions you will find on our website. This time we're acknowledging the attributes and outstanding track record of our newest director, Dr. Len Post.

Please read on and at the end of our observations and updates, I truly hope you will feel we are protecting and developing your investment in us.

With kind regards,
Malcolm McColl.

Q: We've read the announcement on the Phase II trial update by Dr. Robert Andtbacka, the cancer research clinician at The Huntsman Cancer Institute in Salt Lake City, Utah. How important are his conclusions in identifying the benefits of CAVATAK™?

It is a positive report on some of the first patients in our Phase II study. Dr. Andtbacka is one of America's foremost cancer research experts and he has considerable experience with other products in this field. His knowledge and experience in oncolytic virotherapy (OV) is of great benefit to us.

Dr. Andtbacka recently presented a summary of his site's early research results with CAVATAK™ at The Hem-Onc Today Melanoma and Malignancies meeting in New York. These initial results were described by Dr. Andtabacka as encouraging. He said CAVATAK™ had been generally well tolerated and based on his assessment, three patients had met the primary endpoint of immune related progression free survival, based on a six month assessment and two patients had progressed to the extension study.

It was noteworthy that five of his first ten patients displayed objective tumour response and we are pleased to tell you that reductions were also observed in some metastatic lesions, meaning that CAVATAK™ had an effect on lesions not "directly" injected with CAVATAK™. It is important to note that these are initial results and are not definitive or conclusive but it does represent a promising start to the study.

Q: Does the recent result by Amgen indicate that OV is approaching mainstream consideration in the field of cancer research?

In a word...yes. It is the first time OV has achieved a positive Phase III trial result and this is an important breakthrough in the field. We believe this will lead to increased interest from big pharma companies in OV. We, by the way, are one of only two publicly listed companies worldwide with Phase II clinical development of OV.

Q: The company's trials are proceeding to expectation in the United States, what about here in Australia?

Here in Australia, we have just completed a phase I study on the intravenous delivery of CAVATAK™ in late stage melanoma, prostate, breast and colorectal patients. The study investigator, Associate Professor Winston Liauw, of the Cancer Care Unit at St. George Hospital said, "The CAVATAK™ intravenous study met the key endpoint of patient tolerability...Overall, the study provided strong foundations for a Phase II investigation.....I look forward to being involved with further clinical evaluation of CAVATAK™."

Q. How are we being acknowledged in the international cancer research field?

Our Phase II trials currently underway in the United States are progressing well and we plan to attend major oncology, biotechnology and OV conferences in the coming months. As I write this I am attending the annual BIO International Convention in Chicago, where I will be presenting the Viralytics story to members of the US pharma and biotech community.

Viralytics R&D Team:
Jaclyn, Eric, Penny, Darren, Robert, Gough,
Erin, Bronwyn, Yvonne, Min and Roberta
Absent: Rebecca, Richard and Susanne

PHASE II Melanoma Trial Sites

- HUNTSMAN CANCER INSTITUTE
- Mount Sinai MEDICAL CENTER
- MARY CROWLEY CANCER RESEARCH CENTERS
- RUSH UNIVERSITY MEDICAL CENTER
- Oncology Specialists S.C.
- Morristown Medical Center ATLANTIC HEALTH SYSTEM
- St. Mary Medical Center A Dignity Health Member
- UC San Diego MOORES CANCER CENTER

Q. CAVATAK™ and Chemotherapy - is there a synergy?

We think so. Our preliminary research involving in vitro testing of CAVATAK™ in human lung cancer cell lines in combination with Docetaxel, a chemotherapy agent, has provided a moderate to strong synergistic effect compared to either treatment on a stand alone basis.

The potential to combine CAVATAK™ and chemotherapy could provide real benefits to cancer patients and therefore we are keen to get underway with assessment at the proposed trial sites in the UK.

Q: What's the next step with this promising combination?

A big step is on the horizon. We are currently negotiating with the British regulatory authorities and three prestigious cancer centres in The United Kingdom. The preliminary in vitro results will be used as a stepping stone in this proposed study.

The study will be called STORM (Systemic Treatment of Resistant Malignancies).

The first stage of the study, if we receive regulatory approval, will be to administer CAVATAK™ in late stage melanoma, non-small cell lung, metatastic bladder and castrate resistant prostate cancer patients.

In the second stage of the study however, we propose to involve the combination of CAVATAK™ and the chemotherapy agent to treat the cancer type identified as the most promising target from the initial stage of the study.

We are hoping to begin the study in the second half of this year.

Head office has moved to: Suite 305, Level 3, 66 Hunter Street, Sydney

Head Office Team: Leanne, Robert and Malcolm

Q: Summing up, do you believe the trials in the United States and here in Australia and hopefully soon in the UK, are progressing to the point that commercial interest will be shown in the company?

I expect there will be increasing interest because of the initial encouraging results and the studies being conducted in prestigous cancer centres by leading clinicians. There is still some way to go on the Phase II study before we achieve a definitive outcome. However we are working hard with the hope that CAVATAK™ will bring benefit to cancer patients and equally as important, we affirm to you that your investment in your company is a primary consideration for us and we treat that observation very seriously indeed.

MEET DIRECTOR DR. LEONARD POST

Our most recently appointed director, based in the United States, Dr. Len Post is a virologist by education and training. He holds a Ph.D in Biochemistry from The University of Wisconsin and has served as adjunct Professor in the Department of Microbiology and Immunology at The University of Michigan. His career in the health sciences sector spans thirty years and he has led many programs that have resulted in multiple clinical candidates across various therapeutic disciplines. He is currently Chief Scientific Officer of BioMarin Pharmaceuticals.

Perhaps his most important role as far as his directorship with us proceeds, was his directorship and consultancy role to Biovex Inc., the oncolytic virotherapy company purchased by Amgen in a transaction totalling up to one billion dollars; and leading an oncolytic virus program when at Onyx Pharmaceuticals. Amongst his many roles, he was founder and director at Lead Therapeutics; senior VP of R&D at Onyx Pharmaceuticals where he had been responsible for the co-development (50/50 with Bayer) of Nexavar, taking it from IND to through to FDA approval for renal cell carcinoma. He has also worked in senior management roles at the Parke-Davis Pharmaceuticals Research Division of the Warner Lambert company. Prior to Warner Lambert he spent ten years at the Upjohn company in various scientific and management positions. Currently, he is also a director of Altiris Therapeutics; Orphagen Pharmaceuticals; and Fedora Pharmaceuticals.

When he is not adding value to our board meetings and forward planning, Len helps his wife with their small sheep farm in California. On a recent trip, Len's wife took great pleasure in heading bush to explore and get to know the Australian hinterland and in particular the running of our sheep stations.

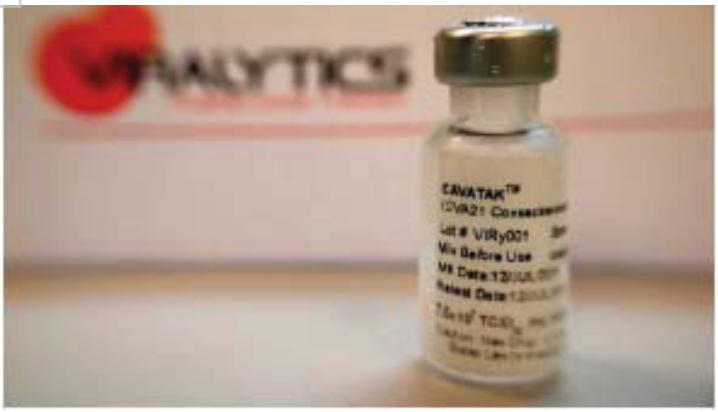
STOP PRESS

Recent media reports of the company's activities.

26 Mar 2013 - Herald Sun: Medical successes for a healthy portfolio by John Beveridge

26 Mar 2013 - The Australian: Tim Boreham's analysis in the Criterion Column of The Australian newspaper concluded with, "We had Viralytics as a hold last October (2012) and we now upgrade to a spec buy."

10 Apr 2013 - Courier Mail: Cancer Cure Trial by James McCullough



Please visit the company website for more comprehensive details
www.viralytics.com

VIRALYTICS

This information does not take your circumstances into account. Read the relevant ASX releases, financial reports and prospectuses before making an investment decision. Shares in Viralytics Limited, ABN 12 010 657 351, are traded on the Australian Stock Exchange (ASX:VLA) and on the over-the-counter market (OTC: VRACY).