



ASX and Media Release
19th January 2012

First patients commence CAVATAK™ injections in U.S. Phase II melanoma trial

Viralytics Limited (ASX: VLA, OTC: VRACY):

The Company is pleased to provide an update of its lead product, CAVATAK™ in the 3 clinical trials the Company is currently running.

1) Phase II CALM study: U.S. based 54 patient intratumoural late stage melanoma trial.

This is the first CAVATAK™ trial to be reviewed and allowed by the U.S. FDA.

Treatment of patients with CAVATAK™ has commenced at 2 U.S. sites. Additional patients from further sites have consented to join the trial and are expected to commence CAVATAK™ treatment shortly.

Treatment consists of 10 visits where up to 8 individual tumours are injected with CAVATAK™ at each visit.

The company currently has institutional board approval from 4 U.S. based sites to treat patients with CAVATAK™ with approval from a further 2 sites expected shortly.

For further information about this trial, please visit the Clinical Trial website using the following link:

<http://clinicaltrials.gov/ct2/show/NCT01227551>

The U.S. based Phase II trial was commenced following the completion of 2 Australian-based Phase I trials of intratumoural administration of CAVATAK™ in late stage melanoma patients.

2) Phase I intravenous late stage Melanoma, Prostate, Breast and Co-rectal cancer trial: Australian based, 9 patient trial.

Intravenous delivery of CAVATAK™ is an important strategic aim of the Company. The ability to deliver CAVATAK™ intravenously will potentially allow the treatment of a greater range of cancers.

In this Phase I study, 8 of 9 patients have been infused with CAVATAK™ and have completed the trial. The 9th and last patient is expected to enter the trial in early February. The primary objective of this study is patient safety. This trial is a crucial precursor to commencing a Phase II intravenous trial of CAVATAK™. Strategic planning for the intravenous Phase II trial protocol and

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primary endpoint has commenced. To date, intravenous infusion of CAVATAK™ has been well tolerated.

3) Phase I intratumoral late stage Head and Neck cancer trial: Australian based, 9 patient trial.

This Phase I trial was designed to be a multi-dose, multi-injection safety study. Currently, 3 patients have been treated with CAVATAK™ in this study. The clinical objectives this trial was going to generate have now been superseded by those contained within the U.S. based Phase II melanoma trial discussed above.

As a result, a decision has been made to close this trial and direct the Company's resources to its CAVATAK™ Phase II clinical development program.

Viralytics' clinical development program is now clearly focused on its Phase II evaluation of CAVATAK™ in both intratumoral and intravenous settings, allowing investigation of both direct cancer cell oncolysis and development of anti-tumour immune responses.

Enquiries
Bryan Dulhunty
Viralytics Ltd

T: 02 9988 4000
W: www.viralytics.com

About Viralytics Ltd: Viralytics is listed on the Australian Stock 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). EVATAK™ is the trade name for Viralytics' proprietary formulation of the Echovirus Type 1 (EV1). 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, integrin $\alpha 2\beta 1$ (alpha 2 beta 1) receptor to bind and infect target cells. Integrin $\alpha 2\beta 1$ (alpha 2 beta 1) has been demonstrated to be highly expressed on multiple cancer types, including: prostate cancer, ovarian cancer and others.

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