

Biodiem Limited
ABN: 20 096 845 993

ASX Interim Financial Report ~ December 31, 2008

Lodged with the ASX under ASX Listing Rule 4.3A

This report is to be read in conjunction with any public announcements made by the company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Contents

Announcement to the market

Other Appendix D information

Commentary on results for the period

Status of Review

Interim Financial report

BioDiem Limited

ABN: 20 096 845 993

Reporting period: 6 months ended December 31, 2008.

Previous period: 6 months ended December 31, 2007.

Results to be announced to the market

	% Mvt.		AS'000
Revenue from ordinary activities	Up	36.64%	to 1,529
(Loss) / from ordinary activities	down	82.25%	to (324)
Net (loss) for the year attributable to members	down	82.25%	to (324)

Dividends

It is not proposed to pay a dividend.

Explanation

In November the Company received a further milestone payment of USD1m from Nobilon for progress made with BioDiem's live attenuated influenza vaccine (LAIV).

Other information	December 31, 2008	June 30, 2008
Net tangible assets per ordinary share	6.71cents	7.11cents

BioDiem Ltd
ABN 20 096 845 993

Interim Financial Report
31 December 2008

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BioDiem Ltd
Directors' report

The directors present their report together with the interim financial report of BioDiem Ltd ("the Company") for the half-year ended 31 December 2008 and the independent review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name	Period of directorship
<hr/>	
Non-executive	
Mr Hugh M. Morgan	Non-executive director and Chairman since 2005.
Mr. Donald S. Brooks	Non-executive director since 2002
Dr. Larisa Rudenko	Non-executive director since 2003
Dr. John Brown	Non-executive director since 2006
Executive	
Dr. Andrew P. O'Brien	Director since February 2005. Dr O'Brien was appointed Managing Director on 6 September 2007 and resigned on February 5, 2009

Mr Morgan has assumed responsibility for the CEO role until a new CEO is appointed.

Review of Operations

Financial

- A milestone payment of \$1.5m was received during the Half-year, being the 6th milestone payment under the Nobilon licensing agreement.
- Administration and Corporate costs are consistent with the budget for the half year, research and development costs are currently under budget, due mainly to timing differences. Research and development costs are expected to reach budget levels during the second half.
- The Company has funds amounting to \$5.1m at December 31.

Development Programs

- The Company expects that Nobilon, BioDiem's LAIV development partner to commence Phase I clinical trials in Europe during the second half of the financial year. BioDiem will receive a further US\$1m on commencement of the clinical trial. This will be the seventh of a series of eight milestones. The eighth milestone is dependent on Nobilon's decision to continue to share the co-marketing rights with BioDiem in Japan.
- Nobilon has received European GMP registration for its new facility in the Netherlands to begin manufacturing influenza vaccines in cell culture.
- Currently, BioDiem retains the Sales and Marketing rights to North America. Subject to an option Nobilon have to these rights under certain terms, if no other partner is licensed by BioDiem two years after the commencement of Phase III clinical trials.
- BioDiem continues to complete BDM-E pharmacological studies at both Monash University and at Cambridge in the UK.

BioDiem Ltd
Directors' report

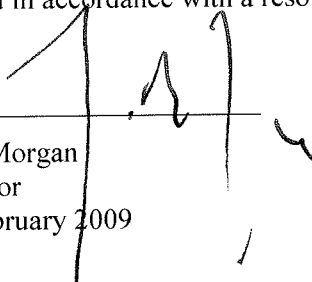
Events subsequent to balance date

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

Lead auditor's independence declaration under Section 307C of the Corporations Act

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the directors.



H.M.Morgan
Director
25 February 2009



Independent auditor's review report to the members of BioDiem Limited

We have reviewed the accompanying interim financial report of BioDiem Limited, which comprises the interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on pages 6 to 13.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of BioDiem Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BioDiem Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Tony Romeo
Partner

Melbourne

25 February 2009



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of BioDiem Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Tony Romeo
Partner

Melbourne

25 February 2009

BioDiem Ltd
Interim Income Statement
For the six months ended 31 December 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Revenue from licensing activities	5	1,529,192	1,119,407
License fees and royalties		(305,839)	(223,881)
Gross Profit		<u>1,223,353</u>	<u>895,526</u>
Research and development expense	5	(1,155,209)	(1,678,713)
Administration expense		(796,935)	(1,154,958)
Loss from operating activities		<u>(728,791)</u>	<u>(1,938,145)</u>
Finance Income		405,013	113,448
Finance Expenses		-	-
Net finance income		<u>405,013</u>	<u>113,448</u>
Loss before income tax		(323,778)	(1,824,697)
Income tax expense		-	-
Net loss attributable to equity holders		<u>(323,778)</u>	<u>(1,824,697)</u>
Basic loss per share	9	<u>(0.4) cents</u>	<u>(3.2) cents</u>
Diluted loss per share	9	<u>(0.4) cents</u>	<u>(3.2) cents</u>

The interim income statement is to be read in conjunction with the notes to the condensed financial statements which follow.

BioDiem Ltd
Interim Statement of Changes in Equity
As at 31 December 2008

	Issued capital	Share based compensation reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2008	22,358,841	225,001	(17,158,652)	5,425,190
Loss attributable to equity holders	-	-	(323,778)	(323,778)
Equity settled share based compensation	-	15,383	-	15,383
Balance at 31 December 2008	22,358,841	240,384	(17,482,430)	5,116,795
Balance at 1 July 2007	15,194,894	176,300	(12,688,144)	2,683,050
Loss attributable to equity holders	-	-	(1,824,697)	(1,824,697)
Equity settled share based compensation	-	44,340	-	44,340
Net proceeds from share issue	7,060,000	-	-	7,060,000
Balance at 31 December 2007	22,254,894	220,640	(14,512,841)	7,962,693

The interim statement of changes in equity is to be read in conjunction with the notes to the condensed financial statements which follow.

BioDiem Ltd
Interim Balance Sheet
As at 31 December 2008

	Note	31 Dec 2008 \$	30 June 2008 \$
Current assets			
Cash assets	7	5,114,247	5,593,358
Trade and other receivables		110,876	20,270
Other assets		50,733	48,260
Total current assets		<u>5,275,856</u>	<u>5,661,888</u>
Non-current assets			
Plant and equipment		11,038	15,088
Total non-current assets		<u>11,038</u>	<u>15,088</u>
Total assets		<u>5,286,894</u>	<u>5,676,976</u>
Current liabilities			
Trade and other payables		156,585	235,153
Employee benefits		4,221	7,340
Total current liabilities		<u>160,806</u>	<u>242,493</u>
Non-current liabilities			
Employee benefits		9,293	9,293
Total non-current liabilities		<u>9,293</u>	<u>9,293</u>
Total liabilities		<u>170,099</u>	<u>251,786</u>
Net assets		<u>5,116,795</u>	<u>5,425,190</u>
Equity			
Issued capital	8	22,358,841	22,358,841
Share based compensation reserve		240,384	225,001
Accumulated losses		(17,482,430)	(17,158,652)
Total equity		<u>5,116,795</u>	<u>5,425,190</u>

The interim balance sheet is to be read in conjunction with the notes to the condensed financial statements which follow.

BioDiem Ltd
Interim Statement of Cash Flows
For the six months ended 31 December 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Cash flows operating activities			
Cash receipts in the course of operations		1,529,192	1,119,407
Cash payments in the course of operations		(2,253,337)	(2,996,515)
Interest received		144,126	80,356
Net cash provided by / (used in) operating activities		(580,019)	(1,796,752)
Cash flows from investing activities			
Payments for plant and equipment		-	(908)
Net cash used in investing activities		-	(908)
Cash flows from financing activities			
Proceeds from shares issued		-	7,000,000
Transaction costs from issue of shares		-	-
Net cash provided from financing activities		-	7,000,000
Net increase / (decrease) in cash held		(580,019)	5,202,340
Cash at the beginning of the financial period		5,593,358	2,959,552
Effect of exchange rate fluctuation on cash held		100,908	(23,672)
Cash at the end of the financial period	7	5,114,247	8,138,220

The interim statement of cash flows is to be read in conjunction with the notes to the condensed financial statements which follow.

BioDiem Ltd
Notes to the interim financial statements
For the six months ended 31 December 2008

1 Reporting entity

BioDiem Ltd (the “Company”) is a company domiciled in Australia. The interim condensed financial report (“the interim financial report”) of the Company as at and for the six months ended 31 December 2008 was authorised for issuance on 25 February 2009.

2 Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the most recent annual financial report as at and for the year ended 30 June 2008, which can be found on the Company’s website at www.biodiem.com.au or is available from the Company’s head office.

The interim financial report was approved by the Board of Directors on 24 February 2009.

3 Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2008.

4 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2008.

	31 Dec 2008	31 Dec 2007
	\$	\$
5 Individually significant items		
Individually significant items included in loss from ordinary activities before income tax expense:		
Revenue		
Milestones and Licensing fees	1,529,192	1,119,407
Expenses		
Milestones and royalties	(305,838)	(223,881)
Research and development	(1,155,209)	(1,658,713)

BioDiem Ltd
Notes to the interim financial statements
For the six months ended 31 December 2008

6 Segment reporting

The company operates solely in the biopharmaceutical industry developing and/or commercialising biomedical research. The majority of operations are in Australia.

	31 Dec 2008	31 Dec 2007
	\$	\$
7 Cash assets		
Cash at bank and on hand	4,523,905	1,767,401
Short term deposits and bank accepted bills	590,342	6,370,819
	<u>5,114,247</u>	<u>8,138,220</u>

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short term deposits at call and bank accepted bills with a maturity of less than 90 days.

<u>5,114,247</u>	<u>8,138,220</u>
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8 Contributed equity

	31 Dec 2008	30 June 2008
	\$	\$
Share capital		
76,281,159 (June 2008: 76,281,159) ordinary shares fully paid	<u>22,358,841</u>	<u>22,358,841</u>

9 Earnings per share

	31 Dec 2008	31 Dec 2007
	\$	\$
Earnings reconciliation		
Basic earnings	(323,778)	(1,824,697)
Diluted earnings	(323,778)	(1,824,697)
Weighted average number of shares used as a denominator	No.	No.
Number for basic earnings per share		
Ordinary shares	76,281,159	57,504,545
Number for diluted earnings per share		
Ordinary shares	76,281,159	57,504,545

Basic and diluted earnings per share are calculated using the profit or loss attributable to the ordinary equity holders of the entity. Potential ordinary shares issued under the Company's employee plan are not considered dilutive because the conversion of potential ordinary shares into ordinary shares would decrease the loss per share.

BioDiem Ltd
Notes to the interim financial statements
For the six months ended 31 December 2008

10 Contingent assets and liabilities

The company has a licence to commercialise influenza vaccine technologies from the Institute of Experimental Medicine. Under this agreement the company is obliged to pay the Institute of Experimental Medicine 20% of all payments received from any Licensee and a percentage of any royalties arising from net sales.

The company has acquired a licence to commercialise certain technologies from the 000 Klinika Instituta Bioregulyatsii I Gerontologii ("the Clinic"). Under this agreement the company is to pay the Clinic 20% of all payments received from any Licensee and a percentage of any royalties arising from net sales.

11 Related parties

Directors

The names of each person holding the position of director of the company during the half-year year were H.M. Morgan, A. O'Brien, L. Rudenko, D. Brooks, and J Brown.

12 Events subsequent to reporting date

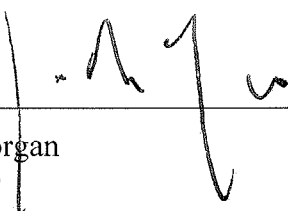
No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

- 1 In the opinion of the directors of BioDiem Ltd ("the Company"):
- (a) the financial statements and notes, set out on pages 6 to 12 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position of the company as at 31 December 2008 and of its performance, for the interim six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 25th day of February 2009.

Signed in accordance with a resolution of the directors:



H.M.Morgan
Director