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ASX Announcement

28 February 2011

HALF YEAR RESULTS

Melbourne, Monday 28 February 2011: Australian biopharmaceutical development company BioDiem Ltd (ASX: BDM) today announced the release of its interim results for the half-year ended 31 December 2010.

Highlights

- The Company's first royalty payment from LAIV sales was received in December 2010. This payment of $0.25m represented royalties from the introduction of the Nasovac™ into the Indian market in July 2010.
- An additional $1m was raised in October 2010 from the placement of the shortfall following closure of the rights issue.

Name of Entity and ABN: BioDiem Limited ABN 20 096 845 993

Reporting Period: 31 December 2010

Previous Corresponding Period: 31 December 2009

Results for announcement to the market

	2010 $m	2009 $m	Change $	Change %
Revenue from ordinary activities	252,317	nil	252,317	Up 100%
Operating loss from ordinary activities after income tax	(1,356,536)	(2,086,570)	730,034	Down 35%
Operating loss attributable to members	(1,356,536)	(2,086,570)	730,034	Down 35%
Net tangible assets per security	3.7 cents	2.5 cents	3.675 cents	Up 47%
Earnings per share	(0.14) cents	(2.7) cents	(2.56) cents	Down 95%

No dividends have been declared or are expected to be declared.

At December 31, 2010 the Company held $3.9m in cash (Dec 31 2009: $2.0m)

R&D achievements since 30 June 2010

During the last six months the successful fund raising has facilitated the next stages of the Company's BDM-E and BDM-I programs and allowed the commencement of the LAIV vector development program.

1. LAIV

Under the WHO Global Pandemic Influenza Plan, Nobilon and BioDiem Ltd have supported the WHO to introduce the LAIV influenza vaccine in certain developing countries. This is restricted to egg-based production and is for the 'public' market only. The private market remains available commercially to Nobilon/BioDiem Ltd.
As a result of this program, the Serum Institute of India manufactured and launched Nasovac™ in India in July 2010. Nasovac™ is an intranasal H1N1 swine flu pandemic vaccine. Nasovac™ has contributed $0.25m in royalties to Biodiem thus far.

The results of research into H5N1 (avian flu) under the Co-operative Research and Development Agreement (CRADA) between BioDiem Ltd, Nobilon and the US Center for Disease Control and Prevention (CDC) were presented in September 2010 at the prestigious Options for Control of Influenza VII conference in Hong Kong. The results support the value of the LAIV technology in protection against the H5N1 virus (avian influenza).

The company continues discussion with Nobilon in regard to the future of the cell-based LAIV program.

2. BDM-E

In October 2010, BDM-E, which is in development for the indication of serious retinal eye diseases, was granted Orphan Drug Status by the FDA for the genetic disorder retinitis pigmentosa. This disease is rare and progressive, leading to blindness.

Additional research is being undertaken at Monash University which will assist in broadening the intellectual property around BDM-E and provide opportunities for presentation of the results of completed research in international medical journals and conferences. The new research will expand the possible target indications for BDM-E beyond retinal disease.

3. BDM-I

BDM-I is a novel compound active against a range of pathogenic micro-organisms including bacteria, fungi and protozoa. Despite the wide availability of antibiotics, control of some life-threatening infections remains difficult, and pathogenic micro-organisms, most notably *Staphylococcus aureus* ('Golden staph'), are developing resistance to current antibiotics.

The next stage of research will take place at the Royal Melbourne Institute of Technology (RMIT) and will focus on expanding the spectrum of activity studies already performed and explore further BDM-I's mechanism of action and its biodistribution. The activity studies will test BDM-I against a range of microorganisms that are responsible for serious clinical infections e.g. *Clostridium difficile,* methicillin resistant *Staphylococcus aureus (MRSA), Pseudomonas aeruginosa,* and A*spergillus fumigates.*

These further investigations with BDM-I will be complemented by research into specific disease models for invasive bacterial and fungal diseases to generate proof-of-concept results in these conditions. These targets both represent significant markets with the market for antifungals estimated to reach US$11.3 billion in 2014[1] and the market for antibacterials in the seven major markets will peak at $20.2 billion in 2013[2].

4. LAIV Vector

This program aims to develop a viral vector vaccine platform based on the Company's proprietary live attenuated influenza virus (LAIV). In the last six months a local Australian facility has been identified to conduct the project and the regulatory framework has been established. Sources of mammalian cell lines for the vaccine project have also been identified. The initial targets for proof of concept will be the Epstein Barr virus-related cancer – nasopharyngeal carcinoma (NPC), and the infectious disease target – respiratory syncytial virus (RSV).

[1] "Antifungal Drugs: Technologies and Global Markets" BCC Research 2010
[2] " Methicillin-resistant Staphylococcus Aureus" Pharmacor 2010 Decision Resources

Further commentary on the results is provided in the Directors' report, which forms part of the half year report ended 31 December 2010

BioDiem's Chief Executive Officer, Julie Phillips, commented "We were delighted to receive the first royalty payment for the LAIV based Nasovac™ vaccine in India during this period. The Company has also commenced work on the LAIV vector project and is expanding work on the BDM-I project on the basis of excellent initial results. We believe that both of these projects have significant promise and if the work on the LAIV vector is successful we anticipate that this will become a source of early revenue in the form of research licenses."

-ENDS-

About BioDiem Ltd

BioDiem is an ASX-listed company, based in Melbourne, with an international focus on finding, adding value to and commercializing world-class research for vaccines, infectious diseases and other therapeutic areas. The company uses a cost-efficient approach to drug development through collaborations with academic centres of excellence, contract research organizations and partnerships with international pharmaceutical companies.

BioDiem's leading product is the Live Attenuated Influenza Vaccine (LAIV) technology, a novel intranasal vaccine being developed to prevent infection from endemic and pandemic influenza. The technology was licenced to BioDiem by the Institute of Experimental Medicine in St Petersburg. In 2004, BioDiem licenced the LAIV technology to Nobilon International B.V. (now part of Merck & Co, Inc.). It is currently in Proof of Concept (Phase II) stage clinical trials as part of its development for European registration.

BioDiem's other products include BDM-E, a small synthetic peptide being developed for the treatment of retinal eye diseases, BDM-I for the treatment of fungal and bacterial infections and the LAIV vector. These programs are currently in pre-clinical testing.

For additional information, please visit www.biodiem.com

Further information

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