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ASX Announcement

28 September 2012

Underwritten Rights Issue

BioDiem Limited ("BioDiem") is pleased to announce a pro-rata renounceable rights issue to raise up to \$2.55 million.

Of the total amount to be raised, \$2.0 million (or approximately 78%) is underwritten by Patersons Securities Limited ("Patersons"), who is the Lead Manager to the rights issue.

The net proceeds of the Offer will be used to continue development of the Company's extensive portfolio of vaccine and antimicrobial therapies targeting infectious diseases and to pursue additional business development opportunities, and for general working capital.

Key Terms of the Offer

- A partially underwritten renounceable pro-rata entitlement offer to Eligible Shareholders of one New Share for every two Shares held at the Record Date, at an offer price of 5.0 cents per New Share;
- Each Participating Shareholder will also receive one free Attaching Option, exercisable at 8 cents on or before 31 December 2014, for every two New Shares subscribed for;
- Under the Rights Issue, up to 51,047,777 New Shares and 25,523,888 Attaching Options will be offered;
- The Rights Issue is partially underwritten to the amount of \$2,000,000 by Patersons. The Underwriter will also receive up to 25,523,888 Underwriter Options;
- The Company will have the right to place any amounts not subscribed for under the offer, within a three month period of the completion of the Offer, on terms consistent with the Offer; and
- If fully subscribed, the Offers will raise up to approximately \$2,552,388 before Offer costs.

Investment Highlights

The Rights Issue provides Eligible Shareholders with the opportunity to increase their investment in the Company at an attractive price and participate in the next phase of development of the Company.

The issue price represents a 19% discount to the volume weighted average market price of the Company's Shares for the five (5) trading days to close of the trade on 24th September 2012 (being the last trading day prior to announcement of the rights issue) of \$0.062 per Share.

BioDiem has made significant progress since its strategic re-positioning earlier this year in targeting high value opportunities for its vaccine and infectious disease technologies.

Recent progress by the Company includes:

- successful results from two programs of work by our French partner VIVALIS, confirming growth of BioDiem's LAIV virus in VIVALIS' proprietary EB66^R cell line. The results are significant as both the virus and the cell line have been used to produce vaccines that have been tested in successful Phase II clinical trials;
- strengthening BDM-I's patent position and expanding its research and development targeting multiple serious bacterial, fungal and parasitic infections including "golden staph", malaria, trichomoniasis, and schistosomiasis;
- revenues received of A\$1.3 million in 2011/12 from both the launch of the NasovacTM influenza vaccine by the Serum Institute of India and a new licence for our vaccine technology in China through a new partner, BCHT Biotechnology Company; and
- presentation of positive results from studies of our BDM-E eye disease drug for the treatment of the inherited degenerative eye disease, disorder retinitis pigmentosa.

The Company's three largest shareholders, Brezzo Enterprises Ltd, Sir David Li, and Mr Hugh Morgan (through an associated company) have each indicated that they will take up their rights in full.

Eligible shareholders may also apply for additional Shares in excess of their Entitlement at the same issue price of 5.0 cents per Share. Non-shareholders may also apply for shortfall shares using the application form in the prospectus.

Full details of the Entitlements Issue will be set out in a prospectus that will be lodged by the Company with ASIC and ASX later today. The New Shares issued under the Rights Issue will rank equally with existing Shares on issue.

The proposed timetable for the Rights Issue is as follows:

| Event | Date |
|--|-------------------|
| Announcement of Offer and Lodgement of Prospectus with ASIC | 28 September 2012 |
| Existing shares quoted 'ex' rights / Rights trading commences | 5 October 2012 |
| Record Date | 11 October 2012 |
| Despatch of Prospectus (Opening Date) | 16 October 2012 |
| Rights trading ends | 26 October 2012 |
| Closing Date – last date for acceptance and payment in full | 2 November 2012 |
| Shortfall Notification to ASX | 8 November 2012 |
| Allotment and issue of New Shares, Attaching Options and Underwriter Options | 12 November 2012 |
| Despatch date of holding statements | 12 November 2012 |
| Normal trading of New Shares and options expected to commence | 13 November 2012 |

*The above timetable is indicative only and is subject to change.

Further information

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About BioDiem Ltd

BioDiem is an ASX-listed company based in Melbourne with an international focus on discovering, developing and commercialising world-class research and technology targeting cancers and infectious diseases. BioDiem's core technologies include the Live Attenuated Influenza Virus (LAIV), the Savine platform and the BDM-I anti-microbial compound.

The LAIV influenza vaccine is an intranasal vaccine to prevent infection from seasonal and pandemic influenza. The LAIV influenza vaccine can be produced using both egg-based and cell-based manufacturing methods. The cell-based LAIV vaccine has completed a Phase II clinical trial in Europe. The egg-based LAIV vaccine technology is licensed to the World Health Organization as part of the Global Pandemic Influenza Action Plan to Increase Vaccine Supply.

The LAIV influenza vaccine is marketed as Nasovac™ in India by the Serum Institute of India, and has been licensed to China-based Changchun BCHO Biotechnology Co. The LAIV vaccine was in-licensed from the Institute of Experimental Medicine in St Petersburg, Russia where it has been used for over a decade in many millions of people - children, adults and the elderly. The LAIV is administered by nasal spray and induces a rapid immune response in the mucosal lining of the nose and pharynx.

The LAIV is also being developed as a viral vector for making novel non-influenza vaccines for different diseases including cancers. Viruses have the ability to generate proteins prolifically and can be programmed to produce disease-specific proteins. As part of a vaccine, disease-specific proteins can help generate a beneficial immune response.

SAVINE (patented Scrambled Antigen Vaccine) is a platform technology for the design of antigens for incorporation into vaccines targeting an immune response to a range of different diseases. SAVINE antigens are encoded as synthetic genes which, together with a delivery technology such as BioDiem's LAIV-based vaccine vector technology, can be used to develop novel vaccines.

BioDiem is also developing BDM-E, a tetra peptide synthetic compound, as a treatment for ophthalmic disorders. The US Food & Drug Administration (USFDA) has granted Orphan Drug designation to BDM-E for the treatment of retinitis pigmentosa, a serious degenerative disease of the retina.

BioDiem's research is ongoing in partnerships with internationally recognised laboratories.

For additional information, please visit www.biodiem.com