

BIODIEM LIMITED

ABN 20 096 845 993

ENTITLEMENT OFFER

REPLACEMENT PROSPECTUS

A non-renounceable pro rata Entitlement Offer of 1 new Share for every 10 Shares held at 5.5 cents (\$0.055) each to raise up to approximately \$815,000 before costs of the issue.

Shareholders eligible to participate in the Entitlement Offer, and non-shareholders, may also apply for additional new Shares for which acceptances are not received (shortfall Shares).

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay.

The Shares offered under this Replacement Prospectus are considered speculative.

CORPORATE DIRECTORY

Directors

Mr Hugh Morgan
Ms Julie Phillips
Mr Don Brooks
Prof. Arthur Li
Prof. Larisa Rudenko

Secretary

Ms Melanie Leydin

Registered Office

Level 4, 100 Albert Road
South Melbourne Victoria 3205
Telephone: +61 3 9692 7240
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Share Registrar

Computershare Investor Services Pty Limited

Postal Address for Return of Acceptances

GPO Box 505
Melbourne VIC 3001
Telephone: 1300 850 505 (within Australia)
Telephone: +61 3 9415 5000 (outside Australia)

REPLACEMENT PROSPECTUS

This replacement prospectus replaces the Company's prospectus dated and lodged with the Australian Securities Commission ("ASIC") on 21 February 2014.

Key changes made in this replacement prospectus are:

1. an increase in the number of shares on issue and the number of shares offered as a result of the exercise of 6,151,157 options before the Record Date, and consequential changes to information in the prospectus including the amount sought to be raised and the effect of the offer on the Company;
2. the inclusion of further information about the proposed use of funds, including the table in Section 2.3;
3. the financial information in Section 5 has been amended to include information based on the Company's reviewed financial report for the 6 months to 31 December 2013; and
4. the extension of the Closing Date to 9 April 2014.

The revised timetable is set out on page 8.

As at the date of this Prospectus no application monies, and no acceptances of entitlements or applications for shortfall Shares, have been received by the Company or the Share Registry. Any application monies, acceptances or applications received before this Prospectus is despatched to shareholders will be returned in full without interest.

In light of the changes this document should be read and considered carefully and in full even if you have previously read the prospectus dated 21 February 2014.

IMPORTANT INFORMATION

Offer

The offer contained in this Prospectus is an invitation by BioDiem Limited (“BioDiem” or “the Company”) to acquire fully paid ordinary shares (“Shares”) in the Company (“the Offer”).

Shares are offered to existing shareholders on the basis of one new Share for every 10 Shares held on the Record Date (1 for 10), rounding up fractional entitlements. The number of Shares offered to you is set out in the personalised Entitlement and Acceptance form which accompanies this Prospectus. Entitlements are not renounceable.

Shareholders who accept their entitlement in full can also apply for additional new Shares from the shortfall in acceptances. The Company may also accept applications for new Shares from the shortfall in acceptances from non-shareholders. The issue of Shares in response to these applications will depend on there being sufficient Shares available from a shortfall in acceptances and the allocation of those Shares will be at the discretion of the Directors.

Date and Lodgement

This Replacement Prospectus (“this Prospectus”) is dated and was lodged with ASIC on 18 March 2014. It replaces the Company’s prospectus dated 21 February 2014.

None of ASIC or its officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure period

As at the date of the lodgement of this Prospectus the Exposure Period has expired.

The Corporations Act 2001 (Cth) (“the Corporations Act”) prohibited the Company from processing acceptances or applications in the seven day period after the date of lodgement the prospectus on 21 February 2014 with ASIC (“Exposure Period”). The purpose of the Exposure Period was to enable the Prospectus to be examined by market participants prior to the raising on funds. Had acceptances or applications been received during the Exposure Period, these would not have been processed until after the expiry of the Exposure Period. No applications were received during the Exposure Period. No preference was or would have been conferred on any acceptance or application received during the Exposure Period. During the Exposure Period, the prospectus dated 21 February 2014 was made available to Australian residents without acceptance or application forms at the Company’s website, www.biodiem.com.

Not investment advice

It is important that you read this Prospectus carefully in its entirety before deciding whether or not to invest in the Company. The information contained in this Prospectus is not financial product advice. No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, you should have regard to your own objectives, financial situation and needs.

In particular, you should consider the risk factors that could affect the performance of the Company as set out in section 6 of this Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek advice from your

professional advisors including your stockbroker, solicitor, accountant or other professional advisor before deciding whether to invest in the Company.

You should make your own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Offer, or to acquire Shares or other securities of the Company. Except and only to the extent required by law, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

You should be aware that this Prospectus includes information regarding the past performance of the Company. The past performance of the Company is not an indicator of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not contained in this Prospectus cannot be relied upon as having been authorised by the Company. You should only rely on information contained in this Prospectus.

Do not rely on forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and action that, at the date of this Prospectus, are expected to take place. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will occur and you are cautioned not to place undue reliance on these forward looking statements.

You should read forward looking statements in conjunction with the risk factors set out in section 6 of this Prospectus, the assumptions contained in the financial information set out in section 5 and other information in this Prospectus.

No offering where offering would be illegal

The offer of Shares under this Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Offer or the Shares, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia, New Zealand or Hong Kong. This Prospectus has been prepared for publication in Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Obtaining a copy of this prospectus

A paper copy of this Prospectus is available free of charge to any person in Australia by calling the Company (03) 9692 7240 (within Australia) or +61 3 9692 7240 (from outside Australia) between 8.30am and 5.00pm Melbourne time, Monday to Friday (excluding Victorian public holidays). This Prospectus is also available in electronic form at www.BioDiem.com. This Prospectus is only available in electronic form to persons who confirm they are Australian residents accessing the website from Australia. Persons who access the electronic version of this Prospectus should ensure they download and read the entire prospectus.

Acceptances and applications

For existing shareholders, acceptance of your entitlement for Shares (and applications for additional Shares from the shortfall) may only be made by returning the personalised Entitlement and Acceptance Form accompanying this Prospectus or by making payment by BPay® in accordance with the instructions in the form. Be sure your form and/or payment is received by the Company' Share Registrar by 5pm on the Closing Date, although the Directors may accept late acceptances or applications. **For non-shareholder applicants**, applications for shortfall Shares may be made by using the general application form (attached to or accompanying this Prospectus). The Corporations Act prohibits any person from passing Entitlement and Acceptance Forms or other application forms on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

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No cooling off rights

Cooling off rights do not apply to an investment in Shares applied for and issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your acceptance or application once it has been accepted.

Times and dates

Unless otherwise stated, references to times and dates in this Prospectus are to the time and date in Melbourne, Victoria, Australia.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not necessarily depict assets owned or used by the Company. Diagrams used in this Prospectus are indicative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Privacy

By returning an Entitlement and Acceptance Form or general application form, or by making payment by BPay®, you are providing personal information to the Company and the Share Registrar, which has been contracted by the Company to receive and manage processing acceptances and applications. The Company and the Share Registrar (on the Company's behalf) collect, hold and use that personal information to process your acceptance or application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. Certain information must be collected by the Company in order for it to comply with taxation laws.

If you do not provide the information requested, your acceptance or application may not be able to be processed efficiently, if at all. The Company and the Share Registrar may disclose your personal information for purposes related to your investment to their agents and service providers or as otherwise authorised under the Privacy Act 1988 (Cth). You may request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registrar or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date.

Please contact the Company or the Share Registrar if any of the details you have provided change. In accordance with the requirements of the Corporations Act, information on the Company's share register will be accessible by members of the public.

Expiry date

No Shares will be issued on the basis of this Prospectus after the expiry date of this Prospectus being 13 months after the date of this Prospectus.

Glossary

A glossary of terms used in this Prospectus is included in Section 9.

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KEY DETAILS

DATES

Date of lodgement of initial prospectus	21 February 2014
Record Date	28 February 2014 (7pm)
Date of lodgement of this Replacement Prospectus	18 March 2014
Prospectus sent to shareholders	24 March 2014
Offer closes (“the Closing Date”)	9 April 2014 (5pm)
Issue of Shares under the Offer	16 April 2014

This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are Melbourne times. The Company retains the discretion to accept late acceptances or applications (either generally or in particular cases and without notifying a recipient of this Prospectus or applicants) and the Company may withdraw the Offer at any time before the Shares are issued, at its discretion.

SUMMARY OF OFFER

Offer price per Share	5.5 cents (\$0.055)
Number of Shares on issue at the date of this Prospectus	148,257,091
Number of Shares offered	14,825,709*
Number of Shares on issue following the Offer if fully subscribed	163,082,800*
Number of options on issue [^]	18,587,417 [#]
Proceeds of the Offer (approximate, before costs) if fully subscribed	\$815,414

** Subject to rounding*

[^] No options are offered or will be issued under this Prospectus

[#] The Company has agreed to issue a further 3 million options exercisable as follows: 1 million at 8 cents (\$0.08), 1 million at 12 cents (\$0.12) and 1 million at 20 cents (\$0.20), all expiring on 30 September 2023 pursuant to service agreements – see Section 8.5.3

INVESTMENT HIGHLIGHTS

- Eligible Shareholders are entitled to apply for one new Share for every ten Shares held as at the Record Date (7pm (Melbourne time) on 28th February 2014, at an issue price of 5.5 cents (\$0.055) per new Share.

- This is an opportunity for Eligible Shareholders to increase their investment in BioDiem and participate in the next phase of its development, being the commercialisation of its technologies:
 - Influenza vaccine technology licensing business, to support existing licensees, including Serum Institute of India following the approval in February 2014 of its seasonal influenza vaccine in India;

 - BDM-I – an antimicrobial in development for the treatment of infectious diseases; and

 - BDM-L - a liver disease-targeting technology platform.

- The proceeds of the Offer will be applied to:
 - Ongoing support of the Institute of Experimental Medicine (IEM) which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees as they move towards further commercialisation;

 - Finalisation of the Company's BDM-I (antimicrobial) and BDM-L (liver disease-targeting technology) program data packages for sale or outlicense to complete development and commercialisation; and

 - Payment of the costs of the Offer, marketing and working capital expenses.

- Eligible Shareholders, and non-shareholders, can apply for additional Shares from the shortfall in acceptances of the Entitlement Offer (if any).

KEY RISKS

There are risks in investing in Shares in BioDiem. The risks comprise specific risks related to the Company and its proposed activities as well as general risks common to many investments in shares and the Company's industry generally.

Prospective investors should read this Prospectus in its entirety before deciding whether to apply for Shares under this Prospectus. In particular, the risks described set out in section 6 commencing on page 41, which include the following key risk areas which are considered specific to the Company, as well as other risks of a more general nature, should be considered.

<i>Risk area</i>	<i>Further details</i>
Uncertainty of Research: Project Risks – there is uncertainty as to the success of research and development and commercial acceptance of the Company's projects	Section 6.1(A)
Intellectual Property – the Company may not be able to obtain, secure and maintain rights to technology and patents required to secure potential product value in the Company's activities	Section 6.1(B)
Dependence on Key Personnel – the Company may be adversely affected if any of the Directors or senior management leave the Company, which has a small management team	Section 6.1(C)
Competition – the Company faces high competition as new and existing companies enter the market and advances in research and new technologies become available and as a result the Company's technology, services and expertise may be rendered obsolete or uneconomical	Section 6.1(D)
Commercialisation – the Company cannot assure that licences of technology will be obtained or if, obtainable, will be on commercially acceptable terms and delays may occur while seeking regulatory approvals	Section 6.1(E)
International Agreements – the Company has contractual relations with parties in foreign jurisdictions where the scope for change in the law is outside the Company's control	Section 6.1(F)
Funding Requirements –there can be no assurance that future funding will be available - revenue has been received from the Company's LAIV (live attenuated influenza virus) influenza vaccine technology licensees, however that revenue is not as yet regular or able to be estimated in advance with certainty	Section 6.1(G)
Dilution – the shareholding in the Company of shareholders who do not take up their entitlements pursuant to the Entitlements Offer will be diluted	Section 6.1(H)
Other risks of a more general nature include: <ul style="list-style-type: none"> • General economic climate 	Section 6.2(A)

<i>Risk area</i>	<i>Further details</i>
<ul style="list-style-type: none">• Market conditions• Government policy changes• Foreign currency and exchange rate fluctuations• Future funding requirements• Future performance of business activities• Security investments	Section 6.2(B) Section 6.2(C) Section 6.2(D) Section 6.2(E) Section 6.2(F) Section 6.2(G)

CHAIRMAN'S LETTER

Dear Shareholder

On behalf of the Directors of BioDiem Limited ("the Company"), I am pleased to invite you to participate in the Company's 1 for 10 non-renounceable Entitlement Offer, which seeks to raise up to approximately \$815,000 before costs of the Offer.

The Entitlement Offer provides Eligible Shareholders with the opportunity to increase their investment in the Company and participate in the next phase of development of the Company, being the commercialisation of its technologies.

Under the Entitlement Offer, eligible Shareholders who were registered on the Record Date, being 28th February 2014, will be able to subscribe for one new ordinary fully paid share at a price of 5.5 cents (\$0.055) each for every ten Shares held at the Record Date. Eligible Shareholders will also be able to apply for additional Shares from any shortfall in acceptances of entitlements, at the same price. The same offer is available to non-shareholders.

The Company intends to apply the funds raised from the Entitlement Offer to:

- Ongoing support of the Institute of Experimental Medicine in St Petersburg, Russia, ("IEM") which provides necessary materials and expertise to our LAIV (live attenuated influenza virus) 'flu vaccine technology licensees as they move towards further commercialisation and support of the Serum Institute of India (SII) following the approval in February 2014 of its seasonal influenza vaccine in India;
- Finalisation of the Company's BDM-I (antimicrobial) and BDM-L (liver disease-targeting technology) product data packages for sale or outlicense to complete development and commercialisation; and
- Pay the costs of the Offer, marketing and working capital expenses.

The Company has for some time received substantial support for its capital raising efforts from its two largest Shareholders, Sir David Li and Brezzo Enterprises Limited. This support continues with each of these Shareholders indicating that they intend to take up their rights in full. As the third largest Shareholder I will also take up my rights in full, through companies associated with me. Taking up our respective entitlements will ensure that the Company receives at least approximately \$500,000 (before costs) pursuant to this Entitlement Offer. I am pleased to say, based on my understanding of the shared willingness to assist the Company expressed by its largest Shareholders, that similar further support may be expected to continue into 2015 while opportunities to realise increased royalty revenue presented by our sub-licensees moving into greater commercial production of our LAIV product are pursued.

In addition, Sir David Li exercised approximately 6.151 million 8 cent options prior to the Record Date, resulting in the Company receiving approximately \$492,000 in new funds. The Board considers this is further evidence of the substantial support provided by the Company's largest shareholders. It is also viewed as a strong endorsement of the Company, its portfolio of technologies, and its focus on commercialisation and seeking to generate and secure increased revenue.

I am very pleased with the progress the Company has made to reach this point. We are advancing our plan towards commercialisation of our technologies while reducing our costs. In 2013 we gained Shareholder approval to de-list from the ASX, in part, to assist better position us in our commercial activities. Shareholders will be aware that the costs of running the Company have reduced steadily and significantly in the last two years however our project progress has continued. We have begun preparing our documentation into program data packages for sharing with outside parties who have shown commercial interest. This is an ongoing process. Importantly, we are delighted with the progress of our LAIV influenza vaccine technology licensees in India and China. SII has just announced the marketing authorisation of its seasonal LAIV vaccine in India and that production has commenced. BioDiem would receive royalties from sales of this product into the private market in India. As more information comes to hand, we will inform Shareholders.

Shareholders would be aware that liquidity in our stock has been at a low level for long periods. This Entitlement Offer allows Shareholders to apply for additional Shares in the Company.

Eligible Shareholders may also apply for additional Shares in excess of their entitlement at the same issue price of 5.5 cents (\$0.055) per share.

Non-shareholders may apply for shortfall Shares using the general application form attached to or accompanying this Prospectus.

This Prospectus contains important information about the Offer, including details of the Offer, key dates, eligibility of Shareholders to accept rights, alternatives available to ineligible foreign Shareholders, accepting or dealing with entitlements, applying for additional Shares, applications by non-shareholders and risk factors associated with the Offer.

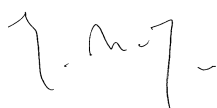
Eligible Shareholders will also find enclosed your personalised Entitlement and Acceptance Form which details how to accept your entitlement and to apply for additional new shares if you so wish.

I encourage you to read this Prospectus and the accompanying Entitlement and Acceptance Form in full. If you have any queries in relation to the Entitlement Offer, you should consult your stockbroker or other professional advisor.

Shareholders who have any queries about the Entitlement Offer can contact the Company at any time from 9.00am to 5:00pm (Melbourne time) during the offer period. The Entitlement Offer closes at 5.00pm on 9 April 2014.

I invite you to read this Prospectus and to consider this investment opportunity in BioDiem.

Yours faithfully

A handwritten signature in black ink, appearing to read 'H. Morgan', with a small flourish at the end.

Hugh Morgan
Chairman

1. INVESTMENT OVERVIEW

1.1. INTRODUCTION

What does BioDiem do?

See Section 4 on page 35 for further detail

BioDiem Ltd is a biotechnology company based in Melbourne, Australia, that is focused on developing and commercialising vaccines and infectious disease therapies. BioDiem's core technology is the LAIV (live attenuated influenza virus) vaccine technology.

BioDiem has an established influenza vaccine technology licensing business in partnership with the World Health Organisation, as well as a diverse range of partnered development programs in the area of vaccines and therapies for infectious diseases and related cancers.

BioDiem continues to seek new partners to develop and commercialise its growing technology portfolio.

Why is the Offer being made?

See Section 4 on page 35 for further detail

The Offer is being made to raise up to approximately \$815,000 (before costs of the Offer) to:

- Continue the support of the LAIV influenza vaccine technology licensing business; and
- Support commercialisation of the remaining technologies.

What impact will the Offer have on BioDiem?

See Sections 2.5 and 2.6 on page 24 for further detail

If all the Shares offered under this Prospectus are issued, the number of Shares on issue will increase by 10% and BioDiem will receive approximately \$815,000 (before costs of the Offer) for application to the ongoing development and commercialisation of its vaccine and infectious disease treatment programs.

The percentage shareholding in the Company of shareholders who do not take up all of their entitlements will be diluted.

1.2. KEY FEATURES OF BIODIEM'S BUSINESS MODEL

See Section 4 on page 35 for further detail

How does and will BioDiem earn its income?

BioDiem's business model is to generate income from partnerships including with other vaccine development companies through existing and new licences to its LAIV vaccine and

other technologies while pursuing development of its own vaccines. Income comes from licence fees and royalties on sales.

BioDiem's business model has already proven successful with payments having been received for both the cell-based LAIV and egg-based LAIV technologies.

What are BioDiem's key strategies?

BioDiem takes early stage technologies, mostly from universities and research institutes, and then works them up through to preparation for clinical trial.

To accelerate full development, BioDiem then licenses them out to larger companies for clinical trials and marketing.

BioDiem uses a partnering strategy to accelerate and de-risk its development programs, but keeps control of its intellectual property. Its partners are both commercial and non-commercial institutions and agencies.

Where can I find further information about BioDiem?

As a disclosing entity, BioDiem makes financial and other reports, and information about significant matters, available on its website at www.biodiem.com. BioDiem also lodges documents, including its financial and other reports with ASIC. Copies of these documents are available from ASIC offices, or during the offer period can be requested from the Company and will be provided free of charge.

1.3. RISKS

See the Key Risks summary on page 10 and Section 6 Risk Factors on page 41 for further detail

Are there risks in investing in the Company?

Yes, there are risks. There are risks specific to investing in this Company as well as common to many investments in shares and the Company's industry generally. Investment in the Shares offered under this Prospectus should be considered speculative.

Risks specific to the Company include risk arising from the nature of its business in the biotechnology field, and include but are not limited to the ability to build and protect its intellectual property portfolio and the inherent uncertainty of development and commercialisation of its technologies and products.

Also, while the Company has received revenue from its LAIV influenza vaccine technology licensees, that revenue is not as yet regular or able to be estimated in advance with certainty. The Company is likely to be dependent on its ability to raise further capital or obtain funds from other sources in the future.

More details about risks are set out in the Key Risks summary on page 10 and Section 6, which you are encouraged to read and consider carefully.

1.4. KEY FINANCIAL INFORMATION

See Section 5 on page 38 for further detail

What is the key financial information?

A proforma (unaudited) balance sheet is included in Section 5.

When will dividends be paid?

It is not envisaged that dividends will be paid by BioDiem in the foreseeable future.

1.5. DIRECTORS AND KEY MANAGEMENT PERSONNEL

See Section 7 on page 46 for further detail

Who are the Directors and key management personnel of BioDiem?

Mr Hugh Morgan (Non-executive Chairman).

Ms Julie Phillips (Chief Executive Officer and Director).

Mr Don Brooks (Non-executive Director).

Prof. Arthur Li (Non-executive Director).

Prof. Larisa Rudenko (Non-executive Director).

Ms Melanie Leydin (Company Secretary).

1.6. SIGNIFICANT INTERESTS OF KEY PERSONS AND OTHER PARTIES CONNECTED WITH BIODIEM AND THE OFFER

See Section 2.6 on page 24 for further detail

Interests of existing shareholders following completion of the Offer if only the potential acceptance of all entitlements the three largest shareholders (including their respective associates) accept their entitlements and no other entitlements were to be accepted or shortfall Shares were to be issued:

Shareholder	Holding Pre-Offer	% of Issued shares Pre-Offer*	Entitlement taken up	Holding Post-Offer	% of Issued shares Post-Offer
Sir David K.P. Li	45,493,186	30.69%	4,549,319	50,042,505	31.65%
Brezzo Enterprises Ltd	38,636,364	26.06%	3,863,636	42,500,000	26.88%
First Charnock Pty Ltd [^]	14,189,593	9.57%	1,418,959	15,608,552	9.87%
Sub-Total [#]	98,319,143	66.32%	9,831,914	108,151,057	68.41%
Other Shareholders	49,937,948	33.68%	nil	49,937,948	31.59%

** If the Offer is fully subscribed, the percentage of then issued Shares represented by the direct and indirect interests shown in this column will not change.*

^ Includes Shares of First Charnock Pty Ltd [ACN 004 554 349], First Charnock Nominees Pty Ltd [ACN 004 748 083], First Charnock Superannuation Pty Ltd [ACN 115 393 176] and Second Charnock Pty Ltd [ACN 006 125 560], each of which is a company associated with Mr Hugh Morgan.

This sub-total does not indicate or imply any association between the three Shareholders.

What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?

Directors who are shareholders (or their associates) may accept their entitlements and apply for Shares on the same basis as other shareholders.

1.7. KEY TERMS AND CONDITIONS OF THE OFFER AND PROPOSED USE OF FUNDS

Who is the issuer of this Prospectus?

BioDiem Limited [ABN 20 096 845 993].

What is the Offer?

See Section 2.1 on page 22 for further detail

A non-renounceable pro rata offer of one new Share for every 10 Shares held on the Record Date (1 for 10), rounding up fractional entitlements.

Shareholders who accept their entitlement in full can also apply for additional new Shares from the shortfall in acceptances. The Company may also accept applications for new Shares from the shortfall in acceptances from non-shareholders.

What is the proposed use of funds raised pursuant to Offer?

See Section 4 on page 35 for further detail

The proceeds of the Offer will be applied to:

- Ongoing support of the Institute of Experimental Medicine in St Petersburg, Russia, ("IEM") which provides necessary materials and expertise to our LAIV (live attenuated influenza virus) 'flu vaccine technology licensees as they move towards further commercialisation; and support of the Serum Institute of India (SII) following the approval in February 2014 of its seasonal influenza vaccine in India;
- Finalisation of the Company's BDM-I (antimicrobial) and BDM-L (liver disease-targeting technology) program data packages for sale or outlicense to complete development and commercialisation; and
- Payment of the costs of the Offer, marketing and working capital expenses.

In the event of a shortfall, expenditure will be targeted to the LAIV program including support of the IEM and BioDiem's existing licensees.

A detailed table of the intended allocation of funds raised is included in Section 2.3.

How many Shares will be on issue following completion of the Offer?

See Section 2.5 on page 24 for further detail

The total number of Shares that will be on issue if all Shares offered under this Prospectus are issued will be 163,082,800 Shares (subject to rounding).

Will the Shares be quoted?

No, BioDiem ceased to be listed on the Australian Securities Exchange ("ASX") on 15 November 2013. Shares offered under this prospectus will not be quoted or be able to be traded on a securities exchange.

Is the Offer underwritten?

No, the Offer is not underwritten.

What is the allocation policy?

See Section 2.8 on page 28 for further detail

Shareholders will be issued the number of Shares set out in the Entitlement and Acceptance Form, if they accept and pay for those Shares in full.

If there is a shortfall, the Company has discretion regarding the allocation of shortfall Shares to applicants (whether applied for by shareholders in addition to entitlements or applied for by non-shareholders) and may reject an application for shortfall Shares, or allocate fewer shortfall Shares than applied for.

Is there any brokerage, commission or stamp duty payable?

There is no brokerage, commission or stamp duty payable by shareholders who accept their entitlements or applicants for shortfall Shares on the acquisition of Shares under this Prospectus.

What are the tax implications of investing in Shares?

See Section 2.14 on page 32 for further detail

You will be subject to Australian taxation on any dividends paid by the Company on the Shares. The taxation consequences on any investment in Shares will depend upon each

investor's particular circumstances, particularly for non-Australian tax resident shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.

How can I accept my entitlement and/or apply for shortfall Shares?

See Section 2.7 on page 26 for further detail

Eligible Shareholders can accept their entitlement for the number of Shares set out in the personalised Entitlement and Acceptance Form. Return the completed Entitlement and Acceptance Form with a cheque for your payment to reach the Company or make payment by BPay®. Shareholders may also apply for additional Shares using the Entitlement and Acceptance Form or by making payment by BPay®. Details are set out in the Entitlement and Acceptance Form. Ensure your form is sent and/or payment made in time to be received by the Company's Share Registrar, Computershare Investor Services Pty Limited at the address in the form, before 5pm on the Closing Date as acceptances or payments received after that time may not be successful.

Non-shareholders may apply for Shares from the shortfall (if any) by completing the general application form attached to or accompanying this Prospectus, and paying the applicable amount in accordance with the instructions on the general application form.

To the extent permitted by law, your acceptance or application is not able to be withdrawn by you.

When will I receive confirmation that my acceptance or application has been successful?

See Section 2.8 on page 28 for further detail

It is anticipated that written confirmation of the number of Shares to Shareholders and applicants issued will be despatched by post on or about 16 April 2014.

If you receive an allocation of Shares with a total issue price less than the amount paid by you, a refund of the excess amount will be made to you as soon as possible.

It is your responsibility to confirm your holding before seeking to trade Shares. Anyone who sells Shares before receiving written confirmation of the number of Shares issued does so at their own risk.

What can ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia, New Zealand or Hong Kong) do?

See Section 2.13 on page 30 for further detail

Ineligible foreign Shareholders will be sent a letter by the Company which they should read carefully. The letter will set out how an ineligible foreign Shareholder may accept an offer to issue a nominee the new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 10 entitlement.

Subject to ASIC approval, the Company has appointed Pacific Custodians Pty Limited [ABN 66 009 682 866] ("Pacific Custodians") holder of Australian financial services licence (AFSL) number 295142, as the nominee.

If an ineligible foreign Shareholder accepts the offer to issue the new Shares to the nominee, the Company will issue those Shares to the nominee. The acceptance and payment must be received by the Company before 5pm on the Closing Date.

The nominee will then have a best endeavours obligation to sell those new Shares as soon as reasonably practicable and distribute to each of the ineligible foreign Shareholders who accepted the offer their proportion of the proceeds of the sale, net of all expenses (including brokerage and any applicable taxes and charges). The nominee will sell the new Shares at a time, and in manner, which the nominee determines in its discretion.

What happens to ineligible foreign Shareholders' Shares?

See Section 2.13 on page 30 for further detail

If an ineligible foreign Shareholder accepts the offer referred to above, the Company will issue that Shareholder's Shares to the nominee, for sale and distribution of the net proceeds as described above.

If an ineligible foreign Shareholder does not accept the offer, those new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 10 entitlement will form part of the shortfall Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional new Shares or to non-shareholder applicants.

Can I sell my Shares or entitlements on ASX or another securities exchange?

No.

Can dates be changed or the Offer be withdrawn by the Company?

See Section 2.8 on page 28 for further detail

BioDiem reserves the right to withdraw or not to proceed with or complete the Offer at any time before the issue of Shares to successful applicants.

Is the Offer conditional on achieving a minimum subscription?

No – there is no total minimum subscription.

What happens if the Offer is withdrawn?

See Section 2.8 on page 28 for further detail

If the Offer is withdrawn by the Company or does not proceed or complete, amounts you paid will be refunded to you. No interest will be paid on amounts refunded.

Where can I find out more information about this Prospectus or the Offer?

If you require more information about this Prospectus or the Offer, please call the Company on +61 3 9692 7240 between 8.30am and 5.00pm Melbourne time Monday to Friday.

2. DETAILS OF THE OFFER

2.1. DESCRIPTION OF THE OFFER

A non-renounceable pro rata entitlement offer of one new fully paid ordinary Share for every 10 Shares held on the Record Date, rounding up fractional entitlements, at an issue price of 5.5 cents (\$0.055) per new Share, to raise up to approximately \$815,000 before costs of the Offer.

Shareholders who accept their entitlement in full can also apply for additional new Shares from the shortfall in acceptances at the same price. The Company may also accept applications for new Shares from non-shareholders at the same price from the shortfall in acceptances.

All Shares issued under this Prospectus will rank equally in all respects with the Company's existing fully paid ordinary Shares.

2.2. ENTITLEMENT OFFER ELIGIBILITY

Shareholders of the Company recorded in the Company's register of members as at the Record Date, having an address in Australia, New Zealand or Hong Kong, are eligible for new Shares under the Entitlement Offer, and may also apply for new Shares from the shortfall in acceptances of entitlements.

Non-shareholders may apply for new Shares from the shortfall in acceptances of entitlements.

Ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia, New Zealand or Hong Kong) will not be entitled to receive new Shares under this Prospectus.

Subject to ASIC's approval for the purposes of section 615 of the Corporations Act, the Company has appointed Pacific Custodians Pty Limited as nominee of ineligible foreign Shareholders (shareholders who do not have an address in Australia, New Zealand or Hong Kong recorded in the Company's register of members).

Detailed information about the offer to ineligible foreign Shareholders for a nominee to acquire and sell the new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 10 entitlement is set out in to Section 2.13.

Optionholders are not entitled to participate on the Offer in respect of their options unless they have exercised their options and received their Shares prior to the Record Date.

2.3. PURPOSE OF THE OFFER AND USE OF FUNDS

The purpose of the Offer is to raise up to approximately \$815,000 (before costs of the Offer) to:

- Continue the support of the LAIV influenza vaccine technology licensing business; and
- Support commercialisation of the remaining technologies.

The following table shows the anticipated approximate allocation of funds raised between the proposed uses of the funds. To illustrate the intended use of funds at different levels, the table

assumes the Offer is fully subscribed or 50% subscribed, whether by Shareholders accepting their entitlements or applications being received for shortfall Shares (if any).

	Approximate allocations at:	
	Full subscription	50% Subscription
Ongoing support of the Institute of Experimental Medicine (IEM) which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees as they move towards further commercialisation	\$500,000	\$328,000
Finalisation of the Company's BDM-I (antimicrobial) and BDM-L (liver disease-targeting technology) program data packages for sale or outlicense to complete development and commercialisation	\$256,000	\$20,000
Working Capital	\$13,000	\$13,000
Costs of the Offer (per Section 5.2)	\$46,000	\$46,000
TOTAL	\$815,000	\$407,000

In the event of a shortfall in acceptances and applications, as demonstrated by the above, expenditure will be targeted to the LAIV program including support of the IEM and BioDiem's existing licensees. This program is already commercial and generating revenues. Some activities in other projects of the company do not require significant expenditure and so expenditure will be directed towards patent maintenance until outlicensing is complete. The precise allocations will depend primarily on the extent that support is required or considered to be appropriate.

The Company also has existing cash in addition to the above which would be applied to the above and to administrative and other costs. See Section 5 for further financial information including the pro forma balance sheet. Whilst no estimate or forecast of revenue can be or is made or indicated, the Company would also anticipate that if revenue is received from its LAIV influenza vaccine technology licensees or other sources it would supplement the above and the then existing other funds of the Company.

2.4. UNDERWRITING

The Offer is not underwritten.

2.5. CAPITAL STRUCTURE

The following tables show existing issued Shares and options of the Company and the anticipated Share structure assuming the Offer achieves the full subscription set out in section 2.1.

SHARES

Existing Shares	148,257,091
Shares being offered under this Prospectus*	14,825,709
Number of Shares on issue following the Offer (assuming full subscription)*	163,082,800

** subject to rounding.*

OPTIONS

Exercise price	Expiry date	Number
\$0.136 (13.6 cents)	23 July 2014	100,000
\$0.08 (8 cents)	31 Dec 2014	18,487,417
Total		18,587,417

In addition to the above, the Company has agreed to issue 3,000,000 options (each to acquire one Share) having exercise prices of 8 cents (\$0.08) (1,000,000), 12 cents (\$0.12) (1,000,000) and 20 cents (\$0.20) (1,000,000) and an expiry date of 30 September 2023 pursuant to service agreements (employment contracts). The options will vest in three equal tranches. Further details, including the terms of these options, are set out in Section 8.5.3.

No options are offered or will be issued under this Prospectus. The terms of the existing issued options are set out in section 8.5.

2.6. EFFECT OF THE ENTITLEMENT OFFER ON THE CONTROL OF THE COMPANY

If all entitlements are taken up, the Offer will have no effect on the control of the Company. However, should only some of the entitlements be taken up, the shareholdings of shareholders who do not take up their entitlements, or only take up part of their part of their entitlements, may be diluted.

The three largest shareholders of the Company (either alone or with their respective associates) are:

Shareholder (and associates, if applicable)	Number	% (of current issued Shares)
Sir David K.P. Li	45,493,186	30.69%
Brezzo Enterprises Ltd ("Brezzo")	38,636,364	26.06%
First Charnock Pty Ltd^ ("Charnock")	14,189,593	9.57%
Sub-total [#]	92,168,643	66.32%
Other Shareholders	49,937,291	33.68%

[^] Includes Shares of First Charnock Pty Ltd [ACN 004 554 349], First Charnock Nominees Pty Ltd [ACN 004 748 083], First Charnock Superannuation Pty Ltd [ACN 115 393 176] and Second Charnock Pty Ltd [ACN 006 125 560], each of which is a company associated with Mr Hugh Morgan.

[#] This sub-total does not indicate or imply any association between Sir David Li, Brezzo and Charnock.

If only one of Sir David Li, Brezzo or Charnock (including its associates) were to take up its respective entitlement, and no other shareholders took up any entitlements and no shortfall Shares were to be issued, Sir David Li's holding would be 32.75%, Brezzo's holding would be 27.94% and Charnock's holding would be 10.43% (including its associates' holdings). As each of these parties has indicated to the Company that it will take up its entitlements the actual percentages would be lower, as reflected in the table below.

Sir David Li, Brezzo and Charnock are not associates of each other.

The table below sets out additional shareholding information based on differing levels of take up of entitlements by Shareholders other than Sir David Li, Brezzo and Charnock (and its associates). Each case assumes Sir David Li, Brezzo and Charnock (and its associates) take up their entitlements in full, and that no shortfall Shares are issued.

	Sir David Li	Brezzo	Charnock	Other Shareholders
Number of new Shares which may be taken up under the Offer	4,549,319	3,863,636	1,418,959	4,993,725
Total held if all new Shares which may be taken up under the Offer are taken up	50,042,505 30.69%	42,500,000 26.06%	15,608,552 9.57%	54,931,021 33.68%
% holding following the Offer if 75% take up of the Offer by Other Shareholders	30.92%	26.26%	9.64%	33.17%
% holding following the Offer if 50% take up of the Offer by Other Shareholders	31.16%	26.47%	9.72%	32.65%
% holding following the Offer if 25% take up of the Offer by Other Shareholders	31.41%	26.67%	9.80%	32.12%
% holding following the Offer if no Other Shareholders take up entitlements	31.65%	26.88%	9.87%	31.59%

If Shareholders do not accept their entitlements, their holdings will be diluted. Examples of the impact of dilution on existing holdings where the Shareholder does not take up its entitlement if all the offered Shares are issued (including by all shortfall Shares being applied for by other

Shareholders or non-shareholders) are set out below. If not all the shortfall Shares were to be issued, there would be less dilutive effect on each holding.

Shareholder (example)	Holding at the Record Date	% at the Record Date	1 for 10 entitlement under the Offer	Holding if entitlement not taken up	% of total Shares on issue after the Offer total
A	5,000	0.003%	500	5,000	0.003%
B	25,000	0.017%	2,500	25,000	0.015%
C	50,000	0.034%	5,000	50,000	0.031%
D	100,000	0.067%	10,000	100,000	0.061%
E	500,000	0.337%	50,000	500,000	0.307%
F	1,000,000	0.675%	100,000	1,000,000	0.613%

2.7. HOW TO ACCEPT YOUR ENTITLEMENT AND/OR APPLY FOR SHORTFALL SHARES

For existing shareholders:

Acceptance of your entitlement for Shares (and applications for additional Shares from the shortfall) may only be made by returning the personalised Entitlement and Acceptance Form accompanying this Prospectus or by making payment by BPay® in accordance with the instructions in the form. Be sure your form and/or payment is received by the Company's Share Registrar by 5pm on the Closing Date, although the Directors may accept late acceptances or applications. If you choose to pay via BPay® you are not required to return the Entitlement and Acceptance Form.

Personalised Entitlement and Acceptance Forms cannot be downloaded from the Company's website. If you do not receive a personalised Entitlement and Acceptance Form, or if it is lost or mislaid, or if you believe it is not correct, please contact the Company on the following:

Phone: (03) 9692 7240 or if outside Australia on +61 3 9692 7240

Fax: (03) 9077 9233 or if outside Australia on +61 3 9077 9233

Email: mleydin@biodiem.com

If you have multiple holdings you will have multiple BPay® reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any Shares that you wish to apply for in respect of that holding. Otherwise you will be treated as having accepted your entitlement in respect of the holding to which the BPay® reference number and to have applied for shortfall Shares up to the amount of the balance of your payment.

For non-shareholder applicants:

Applications for shortfall Shares may be made by using the general application form attached to or accompanying this Prospectus) in accordance with the instructions in the form. Payment by BPay® is

only available for Non-shareholder applicants if prior arrangements are made with the Company. Non-shareholder applicants must submit a completed general application form even if arrangements for payment by BPay® are made.

For all applicants:

Entitlement and Acceptance Forms and general application forms are not required to be signed.

An electronic copy of this Prospectus can be downloaded from www.biodiem.com. Electronic copies and hard copies of this Prospectus can also be obtained by contacting Ms Melanie Leydin, Company Secretary, on:

Phone: (03) 9692 7240 or if outside Australia on +61 3 9692 7240

Fax: (03) 9077 9233 or if outside Australia on +61 3 9077 9233

Email: mleydin@biodiem.com

Unless paying by BPay®, all acceptance or application forms must be accompanied by a personal cheque or bank draft payable in Australian dollars and drawn on an Australian branch of an Australian bank for an amount equal to the number of Shares accepted and/or applied for multiplied by the price of each Share (\$0.055). Cheques and bank drafts should be made payable to 'BioDiem Ltd – Share Application Account' and crossed 'Not Negotiable'.

The amount payable on acceptance or application will be deemed not to have been received until the Company is in receipt of cleared funds. Payments in cash will not be accepted. If the amount of payment received is insufficient to pay in full for the number of Shares you have applied or is more than required for the number of Shares you have applied for you will be taken to have applied for such whole number of Shares which is covered in full by your payment.

You must ensure that cleared funds are available at the time the form is returned or BPay® payment processed. Dishonoured cheques or failed BPay® payments may result in an acceptance or application not being received or, if received, being rejected. Alternatively, the Company may at its discretion issue some or all of the Shares applied for to you and recover the unpaid amount from you as a debt due.

You must ensure that completed acceptance or application forms are received by the Company's Share Registrar by no later than 5.00 pm on the Closing Date. The Company may vary the timetable of the Offer without prior notice and independently of other parts of the Offer. The Company, the Share Registrar, Goodman Tavendale Reid and their personnel accept no responsibility for lost or delayed forms or payments.

Return completed Entitlement and Acceptance Forms or general application forms to:

IN AUSTRALIA (or if sent from Hong Kong):

BioDiem Limited
c/- Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

IN NEW ZEALAND:

BioDiem Limited
c/- Goodman Tavendale Reid
PO Box 442
Christchurch 8140
New Zealand

If paying by BPay® observe and allow for your financial institution's payment cut off times and allow sufficient time for the payment to be processed and received. You may also have your own limit on the amount that can be paid via BPay®. It is your responsibility to check that the amount you wish to pay via BPay® does not exceed your limit.

2.8. ALLOCATION POLICY

The return or submission of an Entitlement and Acceptance Form or general application form to the Company or payment of an amount by BPay® represents an offer to acquire all or any of the Shares specified in the Entitlement and Acceptance Form or general application form on the terms and conditions described in this Prospectus.

The Company reserves the right to reject any application for Shares from the shortfall or to allocate to an applicant for Shares from the shortfall fewer shortfall Shares than the number for which they have applied.

The Company reserves the right to reject any acceptance or application where an Entitlement and Acceptance Form or general application form has not been correctly completed or has a material alteration, or if an acceptance or application form has not been correctly completed. Acceptance and application forms may also be rejected or be treated as being for fewer new Shares than specified in the form if payment is not received or payment of less than the full amount payable for the new Shares is received.

Where acceptances or applications are rejected or fewer Shares are allotted than applied for, surplus amounts will be refunded (without interest).

Shortfall Shares will only be issued if not all entitlements are accepted, and will only be issued to the extent of any shortfall in acceptances. The Company may decline an application for shortfall Shares, allocate all or a lesser number of shortfall Shares applied for, and/or accept a late forms and payments. The Company will not accept oversubscriptions if the number of shortfall Shares applied for exceeds the shortfall (if any). The Company may scale back or reject applications for shortfall Shares at the Directors' discretion. The Company may apply a scale back of applications for shortfall Shares differently among applicants. Applicants for shortfall Shares will be bound to accept a lesser number of shortfall Shares allocated to them than applied for.

No shortfall Shares will be issued to a shareholder or other applicant if to do so would, to the extent of the Company's knowledge or belief, result in a breach of the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company's issued voting Shares under Chapter 6 of the Corporations Act. Any person who applies for shortfall Shares represents that the issue of the Shares applied for will not result in a breach of these restrictions.

This timetable of the Offer, including the anticipated date of issuing Shares is indicative only and may change without notice (including by being extended). The Company may withdraw the Offer at any

time before the Shares are issued, at its discretion. If the Offer is withdrawn, all application monies will be refunded to the Shareholder or applicant promptly, without interest, in accordance with the Corporations Act.

Shareholders who accept their entitlements and/or apply for additional Shares and applicants for Shares from the shortfall (if any) will be notified in writing of the number of Shares allocated to them as soon as possible after the Closing Date. It is the responsibility of shareholders who accept their entitlements and/or apply for additional Shares and other applicants for Shares from the shortfall to confirm the number of Shares allocated to them prior to trading in Shares. Anyone who purports to sell Shares before they receive notice of the Shares allocated to them does so at their own risk.

2.9. NO LISTING

The Company is not admitted to the official list of ASX or any other securities exchange. No application will be made for the Shares offered under this Prospectus to be quoted (listed).

2.10. SHARE REGISTRY

The Company's Share registry is maintained by Computershare Investor Services Pty Limited (the Share Registrar).

2.11. HONG KONG SHAREHOLDERS AND INVESTORS

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong ("Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, shares have not been and will not be offered or sold in Hong Kong by means of any document other than (i) to "professional advisors" as defined in or in rules made under the SFO or (ii) in other circumstances that do not result in this Prospectus being a "prospectus" (as defined in the Companies Ordinance") or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Offer has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted shares or options may sell, or offer to sell, such shares, unless the sale is exempt from the prospectus and authorization requirements of the laws of Hong Kong within six months following the date of issues of such shares.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer under this Prospectus. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

2.12. NEW ZEALAND REGULATORY REQUIREMENTS

This Entitlement Offer to New Zealand investors is a regulated rights issue made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In

New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. This Entitlement Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Entitlement Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Entitlement Offer. If you receive this Offer in New Zealand and need to make a complaint about this Entitlement Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Entitlement Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a financial market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

2.13. OTHER OVERSEAS INVESTORS

The Company is of the view that it is unreasonable to make the Offer to Shareholders outside of Australia, New Zealand, and Hong Kong having regard to:

- (a) The number of Shareholders registered outside of Australia, New Zealand and Hong Kong;
- (b) The number and value of securities to be offered to Shareholders registered outside of Australia, New Zealand and Hong Kong; and
- (c) The cost of complying with the legal requirements and requirements of regulatory authorities in overseas jurisdictions.

Accordingly, the Company is not required to make the Offer to Shareholders registered outside of Australia, New Zealand and Hong Kong. No action has been taken to register or qualify the Offer or the Shares or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia, New Zealand or Hong Kong.

Ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia, New Zealand or Hong Kong) will not be entitled to be receive new Shares under this Prospectus.

The Company has appointed Pacific Custodians Pty Limited ("Pacific Custodians") as nominee for ineligible foreign shareholders. The appointment of Pacific Custodians as nominee is subject to ASIC approval. Application has been made to ASIC for the approval. It will be necessary to appoint an alternative nominee if ASIC's approval is not received.

Ineligible foreign Shareholders will be sent a letter by the Company which they should read carefully. The letter will set out how an ineligible foreign Shareholder may accept the offer to issue the nominee the new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 10 entitlement.

In order to accept the offer to issue the Shares to the nominee, ineligible foreign Shareholders must, before the Closing Date, sign and return to the Company the form and other documents sent to them, together with the amount of money set out in the form (in cleared funds), each of which will be given to the nominee to enable the nominee to subscribe for and to be issued the new Shares.

The amount of money payable will be calculated using the same calculation for the Entitlement Offer (that is 5.5 Australian cents (AUD\$0.055) per new Share that could otherwise have been offered to the ineligible foreign Shareholder on a 1 for 10 basis had they been eligible to accept the Entitlement Issue).

The acceptance and payment (in cleared funds, in Australian currency) must be received by the Company before 5pm on the Closing Date.

Upon the receipt of valid acceptances of that offer, including payment of the applicable amount the Company will issue those new Shares to the nominee, Pacific Custodians. The nominee has a best endeavours obligation to sell the those new Shares as soon as reasonably practicable and distribute to each of the ineligible foreign Shareholders who accepts the offer made to them their proportion of the proceeds of the sale, net of all expenses (including brokerage and any applicable taxes and charges). The nominee will sell the Shares at a time, and in manner, which the nominee determines in its discretion. Ineligible foreign Shareholders have no right to request the nominee to transfer the Shares to them or others, as the Shares must be sold under the terms of the offer.

If an ineligible foreign Shareholder does not accept the offer, those new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 10 entitlement will form part of the shortfall Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional new Shares or to non-shareholder applicants.

The offer to ineligible foreign Shareholders is not an offer of Shares or other securities of the Company, and is not part of the Offer (although the new Shares issued to the nominee would have been part of the total number of new Shares to which this Prospectus applies).

Ineligible foreign Shareholders that are considering accepting the offer made to them should note that the Sale of any new Shares may affect their Australian tax position. It is recommended that ineligible foreign Shareholders obtain independent tax advice if they are in doubt as to the tax treatment of any cash proceeds they may be entitled to receive if they participate in the offer.

This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, such an offer or invitation would be unlawful. The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in a jurisdiction outside Australia or New Zealand, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholders holding Shares on behalf of persons who are resident outside Australia (except in New Zealand and Hong Kong) are responsible for ensuring that taking up the Offer does not breach regulations in the relevant overseas jurisdiction. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed.

Lodgement of an Entitlement and Acceptance Form or general application form, or paying an amount by BPay®, will be taken by the Company as to constitute a representation that there has been no breach of such laws or regulations.

The Offer pursuant to an electronic Prospectus is only available to persons receiving a complete and unaltered electronic version of this Prospectus within Australia.

In submitting Entitlement and Acceptance Form or general application form, or paying an amount by BPay®, unless you are a resident of New Zealand or Hong Kong) you represent and warrant to the Company that:

- You are an Australian citizen or are resident in Australia, are located in Australia at the time and are not acting for the account or benefit of any person in the United States or any other ineligible foreign Shareholder or person;
- You will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia, or to a United States person, except in transactions exempt from registration under the *US Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

2.14. TAXATION CONSIDERATIONS

The Australian taxation implications of an investment in Shares of the Company will depend upon the investor's particular circumstances. You should make your own enquiries about the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your accountant, stockbroker, lawyer or other professional advisor.

2.15. DIVIDENDS

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Board may from time to time determine to pay or declare dividends. The extent, timing and payment of dividends in the future will be determined by the Directors based on a number of factors including earnings and financial performance and the position of the Company.

2.16. ENQUIRIES

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional advisor without delay.

If you require assistance to complete the Entitlement and Acceptance Form or a general application form or to arrange to make payment by BPay®, or require additional copies of this Prospectus, you should contact Ms Melanie Leydin, Company Secretary, on +61 3 9692 7240 between 8.30am and 5.00pm Melbourne time Monday to Friday. Any questions concerning the Offer should be directed to the Company on +61 3 9692 7240.

3. INDUSTRY OVERVIEW

The biotechnology industry life sciences segment is a global business. Companies tend to operate in many markets because their products are sought internationally and regulatory requirements around the world are often linked. The biotechnology industry is a highly volatile and unpredictable sector due to the scientifically intensive nature of the operations of companies in it and the ever-changing scientific landscape.

Issues typical to life sciences companies are often not typical to other industries such as the unique requirements required for market introduction of products and technologies. A technology or drug chemical or biological that looks like it might work as a therapeutic needs to be optimized, checked for toxic side effects, and finally, tested in clinical trials (Phase I, II and III).

The high standard of evidence to support safety and efficacy of products must be met by the submission of high quality data. The high cost and long lead times required to generate such reports and information for regulators and the high standards needed to be attained make the development of therapeutic products intended for human use highly capital intensive, a high risk investment and a highly speculative proposition for investors. In addition most prospective drug candidates never complete clinical trials and reach commercialization, since conclusive scientific evidence of safety and efficacy, in many instances, cannot be produced.

However a commercially successful therapeutic product can generate high returns. New biotech drugs and pharmaceuticals can command high prices. The negotiation of pricing is another regulatory and commercial hurdle as widespread use of “cost-effectiveness” compared to existing therapies is often considered by payors.

In Australia, pharmaceuticals are its number one 'substantially transformed' manufactured export, exceeding the car industry and more than double the wine industry in the 2011-12 period. There are currently 100 ASX-listed life sciences companies, with a combined market capitalisation in July 2013 of more than of \$48.8 billion (BioForum¹, July 2013).

Australia’s comparative advantage comes from its world-class science and medical research, its capacity for international partnerships, cost effectiveness, and a transparent and effective regulatory system. More recently the Federal Government has introduced a research and development tax incentive, which is attracting global investor attention.

¹ www.pwc.com.au/bioforum

4. BUSINESS OVERVIEW

BioDiem Ltd is a biotechnology company based in Melbourne, Australia, that is focused on developing and commercialising vaccines and infectious disease therapies. BioDiem has an established influenza vaccine technology licensing business in partnership with the World Health Organisation, as well as a diverse range of partnered development programs in the area of vaccines and therapies for infectious diseases and related cancers. BioDiem continues to seek new partners to develop and commercialise its growing technology portfolio.

Company focus

BioDiem is focused on reduced-risk co-development of promising assets with internationally recognised partners. Each program is focused on targets with near-term potential for revenue generation. As a small adaptable company with a diverse portfolio, BioDiem stands to gain value from a successful licensing deal or acquisition of an asset, complementing the existing opportunities in LAIV vaccine technology licensing.

Company programs

BioDiem has three main development programs:

- **Influenza vaccine:** Expansion of the revenue-generating LAIV-based influenza vaccine technology licensing business;
- **BDM-I antimicrobial:** Development of the antimicrobial BDM-I for the treatment of important infectious diseases;
- **BDM-L and other vaccine programs:** Development of a liver disease-targeting technology platform and new vaccines and viral 'vector' (or carrier) systems.

1. Influenza vaccine: Expansion of the revenue-generating LAIV-based influenza vaccine technology licensing business.

BioDiem's core technology is the LAIV (live attenuated influenza virus) vaccine technology. It has provided the basis for partnerships with major global health organisations, and drives the licensing revenues BioDiem currently receives from its partners in India and China. BioDiem's licensee, the Serum Institute of India has just announced the marketing authorisation of its seasonal LAIV vaccine in India and that production has commenced. BioDiem would receive royalties on sales of this product into the private market in India. The technology was developed at the Institute for Experimental Medicine (IEM), St Petersburg, Russia where it has been approved and used for over fifty years in millions of people – children, adults and the elderly. BioDiem in-licensed the technology in 2001, and maintains a strong relationship with the IEM.

BioDiem has exclusive rights to commercialise the LAIV technology outside Russia and the Commonwealth of Independent States.

BioDiem currently earns revenues through licensing of LAIV influenza vaccine technology to Indian and Chinese partners and seeks further licensees. The Company notes that while it has received revenue from its LAIV influenza vaccine technology licensees, that revenue is not as yet regular or

able to be estimated in advance with certainty. The marketing authorisation of the Serum Institute of India's seasonal LAIV vaccine in India has been received and production has commenced very recently and no estimate of sales in the private market or receipt of royalties by the Company can yet be made. The Company therefore is unable to, and does not, provide forecasts or projections of revenue or profit, and is unable to state that any particular revenue will be received or profits achieved at a particular time or at all. Historical information about revenue received by the Company is included in its 2013 audited financial statements which form part of the 2013 Annual Report referred to further in Section 5.3, below.

2. BDM-I antimicrobial: Development of the antimicrobial BDM-I for the treatment of important infectious diseases.

BioDiem's antimicrobial compound BDM-I has demonstrated broad-spectrum activity against a wide range of disease-causing microbes such as bacteria, fungi, and parasites. It is currently being researched as a treatment against 'superbugs' or antibiotic-resistant bacteria and fungi. The technology was developed at the Institute for Experimental Medicine (IEM), St Petersburg, Russia and licensed to BioDiem in 2001. BioDiem is currently advancing BDM-I testing into pre-clinical models of a number of infectious diseases.

3. BDM-L and other vaccine programs: Development of a liver diseases-targeting technology platform and new vaccines and viral 'vector' (or carrier) systems.

- BDM-L: In June 2012 BioDiem announced it had signed a licence with the University of Canberra regarding a novel hepatitis vaccine technology. This project is in the research stage.
- SAVINE: In December 2011, BioDiem announced the acquisition of SAVINE Therapeutics Pty Ltd, a company with a proprietary technology that has provided BioDiem with added capacity to customise the immune-stimulating proteins (antigens) which are an essential part of vaccines. This project is in the research stage.
- Flavivirus technology: In June 2012, BioDiem announced it had acquired a licence from the Australian National University for a novel vaccine technology based on flaviviruses which has been developed at the John Curtin School of Medical Research in the ACT. The technology targets dengue fever, but may also facilitate vaccine design against a number of other infectious diseases. A partner is sought for further development of this technology.
- LAIV vector: BioDiem is also investigating the use of its proprietary LAIV technology as a vector for designing preventative and therapeutic vaccines. Towards this end BioDiem has acquired and licensed complementary technologies to widen the variety of potential disease targets for its vaccine technologies.

BioDiem's business model is to generate income from partnerships with other vaccine development companies through existing and new licences to its LAIV vaccine, while pursuing development of its own vaccines. This model has been proven successful with significant income having been received for both the cell-based LAIV and egg-based LAIV technologies.

BioDiem seeks and engages in discussions on an ongoing basis in respect of potential opportunities for the establishment of new and the expansion of existing activities and business development opportunities. While BioDiem continues to seek and negotiate potential commercial opportunities in this respect, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. Announcements would be made on the Company's website, www.biodiem.com, in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

5. FINANCIAL INFORMATION

5.1. Pro-forma Balance Sheet

Set out below is the pro-forma Balance Sheet of the Company as at 31 December 2013.

The financial information has been extracted from the reviewed consolidated financial statement for the half-year ending 31 December 2013. The pro-forma Balance Sheet assumes the Offer is fully subscribed (refer further below for Pro Forma adjustments) and raises \$815,414 less the estimated costs of the Offer.

	Consolidated reviewed	Post offer - proforma (consolidated, unaudited)
	31-Dec-13	31-Dec-13
	\$	\$
Current Assets		
Cash and cash equivalents	541,273	1,310,687
Trade and other receivables	24,160	24,160
Other assets	110,140	110,140
Total current assets	675,573	1,444,987
Total non current assets	-	-
Total assets	675,573	1,444,987
Current liabilities		
Trade and other payables	124,718	124,718
Employee benefits	27,402	27,402
Total current liabilities	152,120	152,120
Non current liabilities		
Employee benefits	26,092	26,092
Total non current liabilities	26,092	26,092
Total liabilities	178,212	178,212
Net assets	497,361	1,266,775
Equity		
Issued capital	30,238,580	31,053,994
Share issue costs	(1,426,231)	(1,472,231)
Share based compensation reserve	263,598	263,598
Accumulated losses	(28,578,586)	(28,578,586)
Total equity	497,361	1,266,775

5.1.1. Basis of preparation

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The consolidated, reviewed statement of financial position as at 31 December 2013 has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The financial report for the 6 months to 31 December 2013 contains historical financial information including the directors' report and financial statements of the type issued by Australian public companies, and the auditor's review report. The auditor's review report contains a going concern emphasis of matter. The 31 December 2013 half year financial report is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the 31 December 2013 half year financial report during the application period of this Prospectus, which the Company will provide free of charge

The statement of financial position as at 31 December 2013 has been prepared to provide Shareholders with information on the assets and liabilities of the Company and its controlled entities and pro-forma assets and liabilities of the Company and its controlled entities. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro forma statement of financial position is based on the consolidated, reviewed statement of financial position as at 31 December 2013 and has then been adjusted to reflect the following pro-forma adjustment.

5.1.2. Pro-forma adjustment

Adjustment for receipt of proceeds of the Offer net of capital raising costs of \$769,414 (gross proceeds of the Offer are \$815,414 and capital raising costs associated with the Offer are \$46,000). This is on the assumption the Offer is fully subscribed. The Company's total issued ordinary shares, assuming the Offer is fully subscribed and ignoring rounding of fractional entitlements, would be 163,082,800.

5.2. Costs of the Offer

The anticipated approximate costs of the Offer (if fully subscribed) are as follows:

Particulars	Amount (\$)
Share registry	16,000
Legal fees	28,000
ASIC fees	2,000
Total	46,000

5.3. Audited historical accounts – year ended 30 June 2013

The audited consolidated financial statements of the Company and its controlled entities for the financial year ended 30 June 2013, being the most recent annual financial report of the Company

and its controlled entities, have been lodged with ASIC. The audited financial statements contain historical financial information including the financial report, directors' report and other reports, of the type issued by Australian public companies and the auditor's report on the financial statements. The auditor's report contains a going concern emphasis of matter. The 30 June 2013 financial statements are taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the 30 June 2013 financial statements during the application period of this Prospectus, which the Company will provide free of charge.

6. RISK FACTORS

This section outlines the risks associated with investing in BioDiem. There are a number of risks, both specific to BioDiem and of a general nature, which may either individually or in combination, materially and adversely affect the future operating and financial performance of BioDiem and the value of the Shares.

While the Company seeks to manage the risks to prevent adverse outcomes to shareholders, many of these risks are outside the control of the Company, its Directors and management.

Applicants should be aware that this is not an exhaustive list of the risks associated with an investment in the Company. Applicants should consider these risk factors in conjunction with other information disclosed in this Prospectus and consult their stockbroker, accountant, lawyer or other professional advisor before deciding whether to invest in the Company and apply for Shares.

Risks specific to the Company

6.1. Uncertainty of Research: Project Risks

The success of the Company is dependent on the quality of the research it has under development, its results and its acceptance in the market. There are risks related to the successful research and development of any technology and ensuring commercialisation. Product development involves lengthy processes and is subject to evaluations by external groups such as the United States Food and Drug Administration (“FDA”) and Australian Therapeutic Goods Administration (“TGA”). There is a risk inherent in activities of this nature that obtaining approvals may be affected by factors outside the control of the Company and its partners, including but not only that government agencies may not process applications in a timely manner or that their activities may be interrupted or delayed due to government policy changes or funding not being available.

Additionally, new products must also find acceptance in a competitive marketplace. Market acceptance will depend on many factors, including convincing potential customers and alliance partners that the Company’s product is more attractive than other alternative products and the ability to manufacture products in sufficient quantities with acceptable quality at an acceptable cost. Because of these and other factors, our products may not gain market acceptance and will mean that it is unlikely that the Company will become profitable.

In order to continue the Company’s research and development of its projects and investments, the Company may from time to time enter into new business initiatives. Such arrangements will expose the Company to risks commonly associated with such ventures including amongst others assimilation of the new operations and personnel into the Company. There can be no assurance that any potential venture will not have a material adverse effect on the Company’s business, financial conditions and operations.

6.2. Intellectual Property

Obtaining, securing and maintaining rights to technology and patents are an integral part of securing potential product value in the Company’s activities. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Additionally, success may depend on the Company enforcing and defending its intellectual property against third-party challengers. Because the patent positions of biotechnology and pharmaceutical companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in biotechnology and pharmaceutical patents nor their enforceability can be predicted. There can be no assurance that any patents which the Company may own, access or control will afford the Company commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that the Company will be free to commercialise its technology.

6.3. Dependence on Key Personnel

The Company is dependent on the principal members of its scientific and management team, the loss of whose services could materially and adversely affect the Company and might impede the achievements of its research and development objectives. Because of the specialised nature of the Company's business, the Company's ability to maintain its program effectively will depend in part on its ability to attract and retain qualified research personnel either within the Company or via its contracted activities. There can be no assurance that the Company will be able to retain sufficient qualified personnel on a timely basis, retain its key scientific and management personnel or maintain its relationships with its collaborators. The failure to retain such personnel and develop such expertise could materially adversely affect the Company's prospects for success. The ability of the Company to maintain and develop the competence and skills of its key responsible managers is affected by its size. Extensive ongoing training opportunities are not feasible for small biotechnology companies such as BioDiem.

6.4. Competition

The biotechnology and medical technology industries are characterised by rapid and continuous technology innovation. The Company faces high competition as new and existing companies enter the market and advances in research and new technologies become available. The Company's technology, services and expertise may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by the Company or one or more of its competitors.

The Company's success will depend on strategic partnering and the extent to which these partners are interested in pursuing licensing and further development of the Company's research outputs. The number of the Company's potential strategic partners is diminishing as the current trend towards consolidation continues. Accordingly, the Company expects that an increasingly small number of partners will account for a substantial portion of our licensing and partnering opportunities with third parties.

6.5. Commercialisation

The commercialisation of technology developed by the Company could require the licensing of technology to or from other entities. The Company cannot give an assurance that such licences will be obtained or, if obtainable, will be on commercially acceptable terms. Furthermore there is always

the risk that licensing arrangements, once negotiated, could be terminated for reasons that may be beyond the Company's control.

Commercialisation may also depend on obtaining and/or maintaining government approvals for production, marketing and sales. The Company and its partners are dependent on government agencies having funding for their functions, and being able to perform their roles without undue delay. A delay in an application being processed may result in a product (particularly seasonal variants of influenza vaccines) not being able to be marketed or distributed, or to obtain or maximise sales, in a particular market.

6.6. International Agreements

The Company has contractual relations with parties that are domiciled in foreign jurisdictions. There is scope for change in the areas of contract law, property and in particular intellectual property in developing foreign jurisdictions which is outside the Company's control. Where possible, the Company will seek to have contracts that are entered into with foreign entities governed by the laws of Western jurisdictions such as Australia, the United States of America or European countries in order to attempt to minimise any risks in this regard.

6.7. Funding Requirements

Operating and net losses and negative cash flow from Company operations may increase for the foreseeable future, due primarily to increases in expenses for research and product development, should the research prove successful. The time required for the Company to reach or sustain profitability is highly uncertain and the Company may not be able to achieve or maintain profitability. While revenue has been received from the Company's LAIV influenza vaccine technology licensees, that revenue is not as yet regular or able to be estimated in advance with certainty. Also, if the Company does achieve profitability, the level of any profitability cannot be predicted and may vary significantly.

The Company may need additional funds in the future to continue to develop and fund its business. However, to the extent that the Company's capital resources are insufficient to meet future capital requirements, the Company may have to raise additional funds to continue the development of its technology. The Company may not be able to raise funds on favourable terms or at all. The Company's current operating plan could change as a result of many factors and the Company may require additional funding sooner than anticipated. The Company's requirements for additional capital may be substantial and will depend on many factors, some of which are beyond the Company's control, including:

- Slower than anticipated progress in research;
- Requirement to undertake additional research;
- Competing technological and market developments;
- The cost of protection of patent and other intellectual property rights;
- Progress with commercialisation.

Technology development is inherently high risk and the above risks are not exhaustive. Other risks may become evident with further development of the technology and commercial relationships. The Company can give no assurance that all of the Company's objectives can be satisfactorily achieved.

6.8. Dilution

The percentage shareholding in the Company of shareholders who do not take up all of their rights pursuant to the Entitlement Offer will be diluted.

6.9. Unlisted, illiquid Shares

The Company and its securities are not listed or quoted on ASX or any other securities exchange. Accordingly there is no liquid market for the Company's Shares or other securities, and shareholders would be entirely reliant on off-market buyers being able to be identified and private arrangements for sales to be made if they wish to trade their Shares.

Prospective investors should be aware that the price (if any) they may be able to sell Shares at may be less than the Offer price. There is no guarantee that Shares will be able to be traded or in respect of profitability, dividends, return of capital or the price at which the Shares may be able to be traded.

External factors such as general economic outlook, movements in interest or inflation rates, currency fluctuations, commodity prices, investor confidence and other factors, may affect whether, and if so what, Share prices may be able to be obtained.

Other Risks

6.10. General Economic Climate

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on the Company's operating costs. The Company's future income, asset values and Share price can be affected by these factors and, in particular, by the market price for any services or products that the Company may sell.

6.11. Market Conditions

The price of the Company's securities may be subject to a variety of unpredictable market influences in general and relating to biotechnology and life sciences stocks in particular. These market conditions may affect the value of the Company's securities regardless of the Company's performance.

6.12. Government Policy Changes

Any material adverse changes in government policies or legislation of any countries in which the Company operates or may operate in may affect the viability and profitability of the Company.

6.13. Foreign Currency and Exchange Rate Fluctuations

Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist managing these risks. However the implementation of such measures may not eliminate all such risks and the measures themselves may expose the Company to related risks.

6.14. Future Performance of Business Activities

The value of the Company's business activities is subject to the various and unpredictable influences of the market it operates in and the economy in general. Accordingly, adverse economic and market conditions may be experienced by the Company which are outside of its control and may have an adverse effect on the Company.

General

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market or other value of the Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for Shares in the Company.

7. DIRECTORS AND OTHER KEY PEOPLE, INTERESTS AND BENEFITS

7.1. BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Mr Hugh Morgan AC

Non-Executive Chairman – LLB, BCom

Mr Hugh Morgan is Principal of First Charnock. He is a member of the Lafarge International Advisory Board; an Emeritus Trustee of The Asia Society New York; Chairman Emeritus of the Asia Society AustralAsia Centre; President of the National Gallery of Victoria Foundation and Chairman of the Order of Australia Association Foundation. He is a Non-Executive Director of Hexima Limited. He was a Director of the Board of the Reserve Bank of Australia for 14 years. From 2003–2005 he was President of the Business Council of Australia. He is also immediate Past President of the Australia Japan Business Co-operation Committee and a Past Co-Chair of the Commonwealth Business Council and continuing Emeritus Director. He is a graduate in Law and Commerce from the University of Melbourne and was Chief Executive Officer of WMC Limited from 1986 to 2003. He was a Director of Alcoa of Australia from 1977 to 1998 and a Director of Alcoa Inc from 1998 to 2001.

Ms Julie Phillips

Chief Executive Officer – BPharm, DHP, MSc, MBA

Ms Julie Phillips was appointed to the position of Chief Executive Officer on July 14, 2009 and was appointed a Director on May 7, 2010. She has a strong background in the biotech and pharmaceutical industry, having worked as the CEO and Director of start-up Australian biotechnology companies operating in the life sciences sector. Her technical background in clinical trials, regulatory affairs and pharmacoeconomic assessment/pricing of therapeutics was gained in multinational pharmaceutical companies with responsibility for market entry of new products in Australia and New Zealand. She is a Director of AusBiotech Ltd, the peak biotechnology industry association in Australia.

Prof. Larisa Rudenko

Non-Executive Director – MD, PhD, DSc

Professor Larisa Rudenko is Head of the Virology Department in the Institute of Experimental Medicine, St. Petersburg, Russia. Professor Rudenko worked with Academician Smorodintsev and has been responsible for the development and clinical trials of the live attenuated influenza vaccines in Russia. She is recognised as one of the world's leading experts in live attenuated influenza vaccines and as such has worked closely over the past 20 years with scientists at the Centers for Disease Control and Prevention, Atlanta, USA in developing effective influenza prophylaxis programs for use in children and in the elderly. She has published in excess of 225 scientific papers and 42 patents. Under her supervision, 11 PhD and 2 DSc theses have been prepared. In 1999 her contribution to medical science was recognised with the award of the title

of Honoured Scientist of the Russian Federation. Professor Rudenko is currently leading the WHO and PATH programs, developing a new pandemic LAIV.

Mr Donald Brooks

Non-Executive Director – BA, JD

Mr Don Brooks, a graduate of Columbia University School of Law, is a US-based lawyer, who for many years was Senior Counsel-Licensing at Merck & Co., Inc. and was formerly its Counsel for U.S. pharmaceutical operations and Counsel for its research operations. He retired from Merck in 1993 and since that time has served as Counsel to a U.S. law firm representing clients in the biotechnology industry, as well as serving as an advisor to firms in the biotechnology and the pharmaceutical industry in general. He has been general counsel of Maryland-based biotech company, EntreMed Inc.

Prof. Arthur Cheung Li GBS JP

Non-Executive Director – BA, MA, MB BChir, MD, HonDSc (Hull), HonDLitt (HKUST), HonDoc (Soka), HonLLD (CUHK), HonDSc(Med) (UCL), HonLLD (UWE), FRCS, FRCSEd, FRACS, FCSHK, FHKAM (Surgery), HonFPCS; HonFRCSGlas, HonFRSM, HonFRCS(I), HonFACS, HnFRCP(Lon), HonFCSHK, HonFASA, Emeritus Professor of Surgery (CUHK)

Professor Arthur Li was appointed a Director on May 7, 2010. Professor Li was awarded the degree of Doctor of Medicine by University of Cambridge, UK. He is a well-credentialed and respected educator and surgeon who is currently Deputy Chairman of The Bank of East Asia and is Emeritus Professor of Surgery of The Chinese University of Hong Kong. He is a member of the Executive Council of the Hong Kong Special Administrative Region. He is also a Director of AFFIN Holdings Berhad. Among his many previous appointments and associations, he has been a Council Fellow of the University of Melbourne, Dean of the Faculty of Medicine and Vice-Chancellor of The Chinese University of Hong Kong. Professor Li was the Secretary for Education and Manpower of the Government of HKSAR. He was also a member of the Board of Glaxo Wellcome plc. He is a member of the National Committee of the Chinese People's Political Consultative Conference.

7.2. SECRETARY AND SENIOR MANAGEMENT

Ms Melanie Leydin CA

Company Secretary – BBus, CA

Melanie Leydin CA was appointed to the position of Company Secretary in November 2012. Ms Leydin is a Chartered Accountant and Registered Company Auditor and is the principal of chartered accounting firm Leydin Freyer, which audits and provides outsourced company secretarial and accounting services to public companies. She is a Director and Company Secretary of a number of listed public companies.

7.3. INTERESTS OF DIRECTORS

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract or in any material contract entered into by the Company) has now, or has had in the previous two years from the date of this Prospectus, any interest in:

- The formation or promotion of the Company; or
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company or firm with which a Director is associated to induce him or her to become, or qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

Director	Shares	Shareholding	Options
Mr Hugh Morgan*	14,189,593	9.57%	2,364,933
Ms Julie Phillips	265,248	0.18%	- [^]
Mr Donald Brooks	29,410	0.02%	-
Prof. Arthur K. C. Li	-	-	-
Prof. Larisa Rudenko	-	-	-

** Includes Shares and options of First Charnock Pty Ltd [ACN 004 554 349], First Charnock Nominees Pty Ltd [ACN 004 748 083], First Charnock Superannuation Pty Ltd [ACN 115 393 176] and Second Charnock Pty Ltd [ACN 006 125 560], each of which is a company associated with Mr Hugh Morgan.*

[^] The Company has agreed to issue Ms Phillips 2,000,000 options (666,667 of which will have an exercise price of 8 cents (\$0.08), 666,667 with an exercise price of 12 cents (\$0.12), and 666,666 with an exercise price of 20 cents (\$0.20), all of which will have an expiry date of 30 September 2023. The options will be issued pursuant to her executive service agreement and the Company's Executive Share Option Plan ("ESOP") adopted at the 2013 Annual General Meeting. Subject to the executive service agreement and ESOP the options will vest in three equal tranches: upon issue; 9 October 2014; and 9 October 2105. Further details of these options are set out in Section 8.5.3.

7.4. DIRECTOR REMUNERATION

Directors are entitled to:

(a) Non-Executive Director Remuneration

The total amount to be paid to the Company's Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at a General Meeting. Any increase in the total amount of Non-Executive Directors' remuneration must be approved by shareholders at a General Meeting. This aggregate amount is currently fixed at \$400,000. Annual fees payable by the Company to the Directors are \$54,500 to Mr Hugh Morgan, \$51,003 to Mr Donald Brooks and \$35,000 to Prof. Arthur K. C. Li the Non-Executive Directors. Prof. Larisa Rudenko receives no fees as a director but does receive payment for services provided to the Company as a consultant, as referred to in the next paragraph.

(b) Remuneration under Service Contracts

The Company has entered into service contracts with the following key executives (both of whom are Directors of the Company). The key remuneration terms of the services contracts are as follows:

- a consultancy agreement with Prof. Rudenko for services provided to the Company other than in her position as a Non-Executive Director, and which provides that BioDiem will pay her \$155,000 per annum in 12 equal monthly instalments. It can be terminated by either party upon breach of the agreement immediately, if the party in breach fails to remedy it within 14 days of receipt of a related notice; otherwise it can be terminated by one month's notice by either party. Termination shall not relieve a party from any liability to the other in respect of obligations or rights and remedies of the other party which have accrued prior to termination.
- a three year executive service agreement (employment contract) with Julie Phillips (expiring on 31 December 2016) to pay \$244,000 per annum. The agreement provides for the issue of 2,000,000 options (666,666 of which will have an exercise price of 8 cents (\$0.08), 666,666 with an exercise price of 12 cents (\$0.12), and 666,667 with an exercise price of 20 cents (\$0.20), all of which will have an expiry date of 30 September 2023) pursuant to the Executive Share Option Plan (ESOP) adopted at the 2013 Annual General Meeting. Further details of these options are set out in Section 8.5.3. The options vested or vest in three equal tranches, as set out in Section 8.5.3. The agreement may be terminated without cause by either Ms Phillips or BioDiem giving four months' written notice. BioDiem may, at its option, provide payment in lieu of notice. Both Ms Phillips and BioDiem can terminate the agreement immediately at any time for specified reasons.

(c) Indemnification, Insurance and Access

Pursuant to the Company's Constitution, a Director of the Company will be indemnified by the Company for any liability incurred by the Director in defending any proceedings in relation to the Company in which the judgement is given in the Director's favour. The Company currently maintains a Directors and Officers Liability insurance with respect to Directors.

(d) Executive Share Option Plan

The Company adopted an Executive Share Option Plan (ESOP) at its 2013 Annual General Meeting of Shareholders. An outline of terms and conditions of ESOP are as follows:

- Selected Directors of the Company are eligible to participate in the ESOP. The aggregate number of shares and options which may be issued shall not at any time exceed 2.5% of the total issued capital of the Company from time to time. Shares and options allotted and issued under the ESOP must rank equally in all respects with other Shares and options from the date of allotment and issue, subject to the satisfaction of any applicable disposal restrictions.
- The vesting date, expiry date, exercise price and exercise period in relation to an option issued under the ESOP are determined by the Board in its absolute discretion.

The Company has agreed to issue 3,000,000 options under to the ESOP. Further details of these options are set out in Section 8.5.3.

(e) Other payments to Directors

Directors may also be reimbursed for out of pocket expenses incurred in providing services to the Company as a result of his or her Directorship or any special duties. Non-Executive Directors may also be paid other fees or amounts as the Directors decide is appropriate where such person performs special services for the Company or otherwise performs services outside the scope of the ordinary duties of that Director. The Company does not have any retirement benefit scheme for Directors or Non-Executive Directors outside of statutory superannuation contributions.

7.5. CORPORATE GOVERNANCE

The Board has adopted charters and policies which establish the corporate governance framework in which the Company operates. Details of the charters and policies of the Board and each of its committees are available on the Company's website, www.biodiem.com.

8. ADDITIONAL INFORMATION

8.1. INCORPORATION

The Company was incorporated in Australia on 18 May 2001.

8.2. COMPANY TAX STATUS

The Company is and will be subject to taxation at the Australian corporate tax rate. As at the date of this Prospectus, the corporate tax rate in Australia is 30%.

8.3. LITIGATION

The Directors are not aware of any legal proceedings which have been threatened or commenced against the Company.

8.4. CONSTITUTION AND RIGHTS ATTACHING TO SHARES

(a) Shares

The rights and liabilities attaching to ownership of Shares are governed by the Company's Constitution, statutes, and general law.

A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive. The Company's Constitution has been lodged with ASIC and is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the Constitution during the application period of this Prospectus, which the Company will provide free of charge. A copy of the Constitution is also available for inspection at the Company's registered office by appointment during normal business hours.

Voting at a general meeting

Each shareholder present at a general meeting of the Company is entitled to one vote for each Share held, either in person or by proxy, representative or attorney.

Meetings of members

Each shareholder is entitled to receive notice of, and attend and vote at a general meeting of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution or Corporations Act.

Dividends

The power to determine that a dividend is payable and declare dividends (including interim dividends) is vested in the Directors who may fix the amount of the dividend and the time for determining entitlements to the dividend and the timing for payment and method of payment.

Transfer of Shares

Subject to the Company's Constitution, Shares may be transferred by a written instrument of transfer which complies with the Constitution or any other method permitted by the Corporations Act. The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act. The Board must refuse to register a transfer of Shares if required by or to comply with the Corporations Act or other applicable laws.

Issues of further Shares

The allotment and issue of Shares is under the control of the Directors. Subject to the Corporations Act, the Directors may issue shares (including ordinary shares, preference shares and redeemable preference shares) to any persons on at that issue price at a time the Directors see fit, grant a person a call or option over shares and issue shares with preferential, deferred or special rights, privileges or conditions or with any restrictions as the Directors determine.

Winding up

If the Company is wound up, any remaining assets available for distribution to shareholders will be divided amongst the Company's members in proportion to their shareholding, subject to any rights or restrictions attaching to those shares.

Power to buy back shares

The Company may, in accordance with the Corporations Act, buy back its own shares on any terms and conditions determined by the Directors.

Proportional takeover provisions

The Constitution provides that shareholder approval is required in relation to a proportional takeover bid. The bidder or an associate of the bidder is not entitled to vote on an approving resolution.

Variation of class rights

Subject to the Corporations Act and any rights attaching to a class of shares, the rights attaching to any class of shares may be varied or cancelled with the consent in writing of holders of at least 75% of the Shares or by special resolution passed at a meeting of holders of shares of that class.

Dividend Reinvestment Plan

The Directors may implement a dividend reinvestment plan for cash dividends to be paid by the Company to be reinvested by way of subscription for shares to be issued and allotted by the Company, on terms and conditions determined by them from time to time.

Capitalisation of profits

The Directors may resolve to capitalise any part of the Company's profits. If this occurs, the Directors must not pay the amount in cash, but must use it to benefit those shareholders who are entitled to dividends in the proportions that would apply if the entire amount of the profits to be capitalised were a dividend. The benefit must be given by either paying the amounts unpaid on the shareholders' shares or issuing shares or debentures of the Company to the shareholder.

Directors – appointment and removal

Under the Constitution, the number of Directors in the Company must not be less than three, nor, until otherwise determined by the Company in general meeting, more than ten. The election of Directors must be by resolution of the Company in general meeting. Directors may appoint another person at any time as a Director of the Company either to fill a casual vacancy or as an addition to the Board. Any Director appointed in this way must retire from office at, and will be eligible for re-election at the next annual general meeting following their appointment. Each Director, subject to the Corporations Act and the other provisions of the Constitution must not hold office past the third

annual general meeting following its appointment or election or 3 years, whichever is longer, after which they must retire from office. A director who retires or whose office is vacated under the Constitution will be eligible for election or re-election to the Board.

Non-Executive Directors – remuneration

The Constitution provides that non-executive directors of the Company are entitled to be paid such remuneration as shareholders may determine from time to time in general meeting. This remuneration is to be divided among the Directors in any manner as they may from time to time determine.

Indemnity and Insurance

To the extent permitted by law, BioDiem must indemnify each Director and other officer of the Company against any liability (other than legal costs in certain circumstances) incurred in acting as a Director or officer of the Company other than a liability owed to the Company or a related body corporate, a pecuniary penalty or compensation order under the Corporations Act or a liability that did not arise out of conduct in good faith.

To the extent permitted by law, the Company may pay insurance premiums on behalf of a person who is or has been a Director or other officer of the Company.

Amendment of Constitution

The Constitution of the Company can be amended by special resolution passed by at least 75% of the Company's shareholders present and entitled to vote on the resolution.

8.5. TERMS OF EXISTING OPTIONS

8.5.1. Options with an exercise price of \$0.08, expiring on 31 December 2014:

- Each option, upon exercise, entitles the holder to acquire one ordinary fully paid share in the capital of the Company.
- Each option is exercisable at any time on or before 5:00 pm Melbourne time on 31 December 2014 ("the Exercise Period") by completing the option exercise form and delivering it together with the payment for the number of shares in respect of which the options are exercised to the registered office of the Company. Any option that is not exercised during the Exercise Period automatically lapses.
- The exercise price of the options is 8 cents (\$0.08) per option payable in full on exercise.
- Subject to the Corporations Act and the Constitution of the Company, options are freely transferable. All shares issued upon exercise of options will rank equally in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid shares.
- The options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant options.
- There are no participation rights or entitlements inherent in the options. Option holders are not entitled to participate in new issues of securities offered to shareholders without first exercising the options. The Company will send notices to option holders at least five

business days prior to the record date applying to offers of securities made to shareholders during the currency of the options.

- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of the Exercise Period, the number of options and the exercise price of the options shall be reconstructed on the same basis at the time of the reconstruction.

8.5.2. Options with an exercise price of 13.6 cents (\$0.136), expiring on 23 July 2014 (Employees' and Officers' Incentive Options Scheme 2009 options)

The following are the terms of the options issued pursuant to the Employees' and Officers' Incentive Options Scheme ("the Scheme") adopted with Shareholder approval at the Company's 2009 Annual General Meeting. The Options are held by former officers and employees of the Company.

- Unless otherwise determined, no amount is payable for the grant of the options.
- Each option shall carry the right in favour of an option holder to subscribe for one fully paid ordinary share in the capital of the Company.
- Options cannot be exercised within 12 months from date of issue.
- Each option expires at 4:00pm (Melbourne time) on the expiry date specified in the terms of issue of that option which must not be greater than five (5) years after the date of issue.
- The exercise price of each option shall be as specified in the terms of issue of that option. The exercise price shall be payable in full on exercise of the option by the holder.
- Options issued under the Scheme shall not be listed for official quotation on the ASX or other stock exchange.
- Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of options, accompanied by the relevant option certificate and a cheque made payable to the Company for the exercise price of all the options exercised.
- An exercise of only some options shall not affect the rights of the option holder under the balance of the options held by him or her.
- The Company shall issue the resultant share and deliver notification of share holdings within five business days of the exercise of an option or such longer time as may be permitted under the Company's Constitution.
- Shares issued pursuant to the exercise of options shall rank equally with existing Shares of the Company in all respects from the date of issue of the share.
- Holders of options which have vested will be permitted to participate in any new pro-rata issue of securities of the Company subject to the prior exercise of the options and any restriction obligations. The Company will ensure that option holders will be allowed at least seven business days notice to allow for the conversion of options prior to the record date in relation to any offer of securities made to shareholders.

- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the applicable expiry date, the number of options or the exercise price of the options or both the options will be reconstructed on the same basis.
- The options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant options.
- Options issued under the Scheme do not confer upon the holder a right to receive notices of general meetings (except as may be required by law), or a right to attend, speak at or vote at general meetings of the company.
- Any options that have been issued pursuant to the Scheme but which have not vested will vest if the Company is subject to a successful takeover that results in a person acquiring a relevant interest in more than 90% of the voting shares of the Company. The provisions of Chapter 6 of the Corporations Act (takeovers provisions) are to be applied in determining the extent of a person's relevant interest.

8.5.3. Executive Share Option Plan 2013 (ESOP) options

The Company has agreed to issue 3,000,000 options pursuant to service agreements. The options would be issued pursuant to the Executive Share Option Plan (ESOP) adopted with Shareholder approval at the Company's 2013 Annual General Meeting. The options would be held subject to the terms of the ESOP which include that the options automatically lapse upon the holder ceasing to be an officer or employee of the Company unless the Board determines that a later date will apply.

Of these options, 2,000,000 would be issued to Ms Julie Phillips who is Director and the CEO of the Company pursuant to her executive service agreement. 666,667 of these options will have an exercise price of 8 cents (\$0.08), 666,667 will have an exercise price of 12 cents (\$0.12), and 666,666 will have an exercise price of 20 cents (\$0.20). The options will vest in the three tranches set out below).

The remaining 1,000,000 options will be issued in the same proportions to the Company's Project Manager (who is an employee of the Company).

The terms of the options to be issued are as follows:

1. Entitlement

The options entitle the holder to subscribe for one (1) unissued fully paid ordinary share in the capital of the Company upon the exercise of each option.

2. Exercise Price, Expiry date and Vesting

The exercise prices, expiry dates and vesting dates of the options are:

Total number of options	Exercise Price	Expiry Date	Vesting upon issue	Vesting date 9 October 2014	Vesting date 9 October 2015
1,000,000	\$0.08	30 Sept 2023	333,333	333,333	333,334
1,000,000	\$0.12	30 Sept 2023	333,333	333,334	333,333

Total number of options	Exercise Price	Expiry Date	Vesting upon issue	Vesting date 9 October 2014	Vesting date 9 October 2015
1,000,000	\$0.20	30 Sept 2023	333,334	333,333	333,333
3,000,000			1,000,000	1,000,000	1,000,000

3. Exercise Period

The options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

The options may be exercised by notice in writing to Company and payment of the Exercise Price for each option being exercised. Any notice of exercise of an options received by Company will be deemed to be a notice of the exercise of that option as at the date of receipt.

5. Shares issued on exercise

Shares issued on exercise of the options rank equally with other issued Shares.

6. Timing of issue of Shares

After an option is validly exercised, Company must issue the Share as soon as reasonably practicable.

7. Participation in new issues

There are no participation rights or entitlements inherent in the options and the holder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, Company will endeavour to ensure that for the purposes of determining entitlements to any such issue, the record date will be at least five business days after the issue is announced to give option holders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

8. Adjustments for reorganisation

In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of Options or the Exercise Price (or both) and the number of Shares will be adjusted (as appropriate) and to the extent deemed necessary by the Board including as may be necessary to comply with any applicable laws and the Company's constitution. Options and Shares must be reconstructed in a manner which will not result in any additional benefits being conferred on the Participant which are not conferred on other shareholders of the Company.

9. Lodgement Instructions

Cheques shall be in Australian currency made payable to Company and crossed "Not Negotiable". The application for Shares on exercise of the options with the appropriate

remittance should be lodged at Company's registered office or as otherwise notified in writing by the Company.

8.6. EXPENSES OF THE OFFER

The anticipated approximate costs of the Offer (if fully subscribed) are as follows:

Particulars	Amount (\$)
Share registry	16,000
Legal fees	28,000
ASIC fees	2,000
Total	46,000

8.7. INTERESTS OF NAMED PERSONS

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor any company in which any of those persons is or was associated with, has now, or has had in the two year period ending on the date of this Prospectus, any interest in:

- The formation or promotion of the Company; or
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- The Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

8.8. CONSENTS

Computershare Investor Services Pty Limited has given and, at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Pacific Custodians Pty Limited has given and, at the date hereof, has not withdrawn, its written consent to be named as the nominee for ineligible foreign Shareholders in the form and context in which it is named. Pacific Custodians Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the nominee for ineligible foreign Shareholders to the Company. Pacific Custodians Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Goodman Tavantale Reid Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its written consent to be named in this Prospectus, in the form and context in which it is

named. Goodman Tavendale Reid Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Goodman Tavendale Reid Limited makes no express or implied representation or warranty in relation to BioDiem Limited, the Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Goodman Tavendale Reid Limited. To the maximum extent permitted by law, Goodman Tavendale Reid Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus.

8.9. ENQUIRIES

If you require assistance to complete the Entitlement and Acceptance Form or a general application form or to arrange to make payment by BPay®, or require additional copies of this Prospectus, you should contact Ms Melanie Leydin, Company Secretary, on +61 3 9692 7240 between 8.30am and 5.00pm Melbourne time Monday to Friday. Any questions concerning the Offer should be directed to the Company on +61 3 9692 7240.

9. GLOSSARY

ASIC	means the Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange.
BDM-I	means an antimicrobial in development for the treatment of infectious diseases.
BDM-L	means a liver disease-targeting technology platform.
Brezzo	means Brezzo Enterprises Ltd.
Board	means the Board or Directors of the Company.
Charnock	means First Charnock Pty Ltd, First Charnock Nominees Pty Ltd, First Charnock Superannuation Pty Ltd and Second Charnock Pty Ltd, each of which is a company associated with Mr Hugh Morgan.
Company or BioDiem	means BioDiem Limited [ABN 20 096 845 993].
Closing Date	means 5:00 pm (Melbourne, Victoria time) on 9 April 2014 or such other date as may be determined by the Directors.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth), as amended.
Director	means a Director of the Company, unless otherwise specified.
Eligible Shareholder	means a Shareholder at the Record Date, whose registered address in the Company's register of members is in Australia, New Zealand or Hong Kong.
entitlement	means the number of new Shares that an Eligible Shareholder is entitled to under the Entitlement Offer (on a 1 for 10 basis).
Entitlement and Acceptance Form	means the personalised entitlement and acceptance form accompanying this Prospectus.
Entitlement Offer	means the one for ten non-renounceable entitlement offer of new Shares made in this Prospectus.
ESOP	means the Company's Executive Share Option Plan adopted at the 2013 Annual General Meeting.
Exposure Period	means the seven day period after the date this Prospectus is lodged with ASIC which may be extended by ASIC for a further period of up to seven days.
general application form	means an application form for new Shares from the Shortfall attached to or accompanying this Prospectus.
IEM	means the Institute of Experimental Medicine in St Petersburg, Russia.
ineligible foreign Shareholder	means a Shareholder whose registered address in the Company's register of members is not in Australia, New Zealand or Hong Kong (and therefore is not

	an Eligible Shareholder).
issue price	means 5.5 cents (\$0.055) per new Share.
LAIV	means the live attenuated influenza vaccine technology licensed to BioDiem from the IEM.
Option	means an option to acquire a Share.
Offer	means the offer of Shares contained in this Prospectus.
Pacific Custodians	means Pacific Custodians Pty Limited [ABN 66 009 682 866] (Australian Financial Services Licence (AFSL) number 295142), as nominee for ineligible foreign Shareholders.
Prospectus	means this Prospectus, including any supplementary or replacement prospectus.
Record Date	means 28 February 2014, 7:00 pm (Melbourne time).
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a person registered as the holder of a Share.
Share Registrar	Computershare Investor Services Pty Limited [ABN 48 078 279 277].
Shortfall	means the number of new Shares for which the Company does not receive valid acceptances.
\$, dollar or cent	is an amount in Australian currency, unless otherwise specified.

10. AUTHORISATION & SIGNING

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is authorised by each of the Directors of the Company, pursuant to a resolution of the Board.

A handwritten signature in black ink, appearing to read 'Julie Phillips', written in a cursive style.

JULIE PHILLIPS

Chief Executive Officer & Director



BioDiem Ltd

ABN 20 096 845 993


For all enquiries:

Phone:
(within Australia) (03) 9692 7240
(outside Australia) +61 3 9692 7240

Web:
www.investorcentre.com

┌ 000001 000 BDM
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:

 See overleaf for details of the Offer and how to make your payment

Non-Renounceable Entitlement Issue - Entitlement and Acceptance Form

 **Offer Closes 5:00pm (AEST) on Wednesday, 9 April 2014**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this Entitlement and Acceptance Form, please contact your financial or other professional adviser.

STEP 1 Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your Controlling Participant to notify of a Change of Address.

STEP 2 Entitlement Taken Up

You can apply to accept either all or part of your Entitlement. Enter overleaf, the number of New Shares you wish to accept from your Entitlement.

STEP 3 Shortfall Shares Applied For

Enter overleaf, the number of Shortfall Shares you wish to apply for (if any). No Eligible Shareholder is assured of receiving any Shortfall Shares applied for in excess of their Entitlement and any amount by which applications from Eligible Shareholders exceed their Entitlements may be scaled back at the Company's discretion.

STEP 4 Make Your Payment

By making your payment you confirm that you agree to all the terms and conditions as detailed in the Replacement Prospectus dated 18 March 2014.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip overleaf with your BPAY payment.

Payment must be received by BPAY by no later than **5:00pm (AEST) on Wednesday, 9 April 2014**. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to **"BioDiem Limited - Share Application Account" and crossed "Not Negotiable"**. The cheque must be drawn from an Australian bank. Cash is not accepted.

Your payment slip with your payment must be received by no later than **5:00pm (AEST) on Wednesday, 9 April 2014**

Payment will be processed on the day of receipt. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Payment Slip - See Overleaf

BioDiem Limited Non-Renounceable Entitlement Issue
Offer Closes 5:00pm (AEST) on Wednesday, 9 April 2014


© Registered to BPAY Pty Ltd ABN 69 079 137 518

Entitlement and Acceptance Form with Shortfall Shares

X 9999999991

I ND

STEP 1 Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at 28 February 2014
(Record Date):

4,000

Entitlement to New Shares on a one (1) Share for every ten
(10) Shares held:

1

Amount payable on acceptance of full entitlement at \$0.055 per
New Share:

\$0.01

STEP 4 Make Your Payment



Bill Code: 999999
Ref No: 1234 5678 9123 4567 89

Contact your financial institution to make your
payment from your cheque or savings
account.

Pay by Mail:



Make your cheque, bank draft or money order payable to
"BioDiem Limited - Share Application Account"
and crossed "Not Negotiable".

Return your cheque, bank draft or money order with the payment slip below to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au.

BioDiem Limited - Acceptance Payment Details

STEP 2 Entitlement taken up:

STEP 3 Number of Shortfall Shares applied for:

Amount enclosed at \$0.055 per New Share: **A\$**



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5:00pm (AEST) on Wednesday, 9 April 2014

Contact Details

Contact Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

123456789123456789+0000000001-3051+14

How to complete this form

- A Shares applied for**
Enter the number of Shares you wish to apply for.
- B Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price per Share.
- C Applicant Name(s)**
Enter the full name you wish to appear on the statement of Share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.
- D Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

- E Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.
- F CHES**
The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).
- G Payment**
Make your cheque, money order or bank draft payable to 'BioDiem Limited - Share Application Account' in Australian currency and cross it 'Not Negotiable'. Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Shortfall Application Form. Cash will not be accepted. Receipt for payment will not be forwarded.**

Before completing the Application Form the applicant(s) should read this Replacement Prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in BioDiem Limited is upon and subject to the terms of the Replacement Prospectus and the Constitution of BioDiem Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Replacement Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited by no later than 5:00pm (AEST) on 9 April 2014. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact BioDiem Limited on (03) 9692 7240 (within Australia) or +61 3 9692 7240 (outside Australia).

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund