

BIODIEM LIMITED

ABN 20 096 845 993

ENTITLEMENT OFFER PROSPECTUS

A non-renounceable pro rata Entitlement Offer of 1 Convertible Preference Share for every 10 Ordinary Shares held at 8 cents (\$0.08) each to raise up to approximately \$1,250,000 before costs of the issue.

Shareholders eligible to participate in the Entitlement Offer, and non-shareholders resident in Australia, may also apply for additional Convertible Preference Shares for which acceptances are not received (Shortfall Convertible Preference 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 Convertible Preference Shares offered under this Prospectus are considered speculative.

CORPORATE DIRECTORY

Directors

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

Secretary

Ms Melanie Leydin

Registered Office

Level 4, 100 Albert Street
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)

IMPORTANT INFORMATION

Offer

The offer contained in this Prospectus is an invitation by BioDiem Limited ("BioDiem" or "the Company") to acquire Convertible Preference Shares ("Shares") in the Company ("the Offer").

Each holder of a Convertible Preference Share will be entitled to receive a priority amount equal to eight times the issue price of that share, before the holders of ordinary shares receive any amount by way of dividend, return of capital or otherwise. Once the holders have received the priority amount, the convertible preference shares will convert automatically into ordinary shares, ranking equally with all other ordinary shares of the Company. Holders may elect to convert their Convertible Preference Shares into ordinary shares before they have received the priority amount. (Full terms of the Convertible Preference Share can be found in Section 8).

Convertible Preference Shares are offered to existing Shareholders resident in Australia, New Zealand or Hong Kong on the basis of one new Convertible Preference Share for every 10 Ordinary Shares held on the Record Date (1 for 10), rounding up fractional entitlements. The number of Convertible Preference Shares offered to you is set out in the personalised Entitlement and Acceptance form which accompanies this Prospectus. Entitlements are not renounceable.

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

Date and Lodgement

This Prospectus is dated 10 June 2016. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on that day. It is a replacement prospectus which replaces the prospectus which was dated 6 June 2016 and lodged with ASIC on that day ("Original Prospectus").

This replacement Prospectus differs from the Original Prospectus. Additional disclosure has been provided in relation to the voluntary conversion of Convertible Preference Shares. The Company's audited financial statements for the 2014 and 2015 financial years have been incorporated by reference. Additional disclosure has also been provided in relation to the auditor's going concern emphasis and the current valuation of Shares.

Neither ASIC nor 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

The Corporations Act 2001 (Cth) ("the Corporations Act") prohibits the Company from processing acceptances or applications in the seven day period after the lodgement date of the Original Prospectus with ASIC ("Exposure Period"). The Exposure Period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of funds. Acceptances or

applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period (or any extended period as the case may be). No preference will be conferred on any acceptance or application received during the Exposure Period. During the Exposure Period, this Prospectus will be made generally available to Australian or New Zealand residents without acceptance or application forms at the Company's website, www.biodiem.com.

Special notice to New Zealand Resident investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is sub-part 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This 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 (Aust) and the regulations made under that Act set out how the Offer must be made.

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

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

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

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

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

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products 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 financial products 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.

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 Convertible Preference 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 or guarantee 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 about the Offer not contained in this Prospectus cannot be relied upon as having been authorised by the Company.

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 and make your own assessments.

No offering where offering would be illegal

The Offer of Convertible Preference 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 Convertible Preference Shares, or otherwise to permit a public offering of the Convertible Preference Shares in

any jurisdiction outside Australia and New Zealand. This Prospectus has been prepared for publication in Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand 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 and New Zealand 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 and New Zealand residents accessing the website from Australia or New Zealand. Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus.

Due to foreign securities law restrictions, nominees and custodians may not forward this offer document to beneficial Shareholders outside Australia or New Zealand without the consent of the Company.

Acceptances and applications

For existing Eligible Shareholders, acceptance of your entitlement for Convertible Preference Shares (and applications for additional Convertible Preference 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 in their discretion. **For non-shareholder applicants resident in Australia or New Zealand**, applications for Shortfall Convertible Preference 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 Convertible Preference 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 Convertible Preference 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 10.

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KEY DETAILS

DATES

Date of this Prospectus	10 June 2016
Expected Expiry of Exposure Period	13 June 2016
Record Date	13 June 2016 (7pm)
Prospectus sent to Shareholders	16 June 2016
Offer closes ("the Closing Date")	29 July 2016 (5pm)
Issue of Convertible Preference Shares under the Offer	8 August 2016

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 Convertible Preference Shares are issued, at its discretion. The Exposure Period commenced on the date the Original Prospectus was lodged with ASIC.

SUMMARY OF OFFER

Offer price per Convertible Preference Share	8.0 cents (\$0.08)
Number of Ordinary Shares on issue at the date of this Prospectus	174,734,060
Number of Convertible Preference Shares offered	15,625,000*
Number of Ordinary Shares on issue following the Offer if fully subscribed and assuming that all Convertible Preference Shares are subsequently converted into Ordinary Shares	190,359,060
Number of options on issue^	Nil [#]
Proceeds of the Offer (approximate, before costs) if fully subscribed	\$1,250,000
Minimum subscription	\$800,000

** Subject to rounding and assuming no options are exercised*

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

[#] The Company has agreed to issue 3 million options pursuant to an ESOP but has not yet issued those options and will not do so before the Record Date – see Section 8.5.1 for details

INVESTMENT HIGHLIGHTS

- Eligible Shareholders are entitled to apply for 1 Convertible Preference Share for every 10 Ordinary Shares held as at the Record Date 7pm (Melbourne time) on 13 June 2016, at an issue price of 8.0 cents (\$0.08) per Convertible Preference Share to raise up to \$1,250,000.
- Each holder of a Convertible Preference Share will be entitled to receive a priority amount equal to eight times the issue price of that share, before the holders of ordinary shares receive any amount by way of dividend, return of capital or otherwise. Once the holders have received the priority amount, the Convertible Preference Shares will convert automatically into ordinary shares, ranking equally with all other ordinary shares of the Company. Holders may elect to convert their Convertible Preference Shares into ordinary shares before they have received the priority amount. (Full terms of the Convertible Preference Share can be found in Section 8).
- Applications will close on 29 July 2016. If by 3 August 2016 the subscriptions are less than \$800,000 then the subscription funds will be returned in full to applicants.
- Two of BioDiem's major Shareholders, who together represent approximately 41.93% of the Company's current shareholding, have indicated their ongoing support of the Company by collectively contributing \$200,000 through an unsecured loan prior to the opening of this entitlement Offer. Following the conclusion of a successful capital raising under this Prospectus i.e. subscription funds of \$800,000 or more, that loan will convert to Convertible Preference Shares at the same price and with the same terms and conditions as those offered under this Prospectus.
- Although this entitlement Offer is open to these two major Shareholders, they have each indicated that they will treat the Convertible Preference Shares into which their loan will convert as forming part of their entitlement under this Offer. Accordingly, the number of Convertible Preference Shares to which they are entitled to under the Offer will be reduced. If the minimum subscription of \$800,000 is not reached then this loan of \$200,000 will remain in place, as an unsecured loan to the Company in its wound-back form.
- Eligible Shareholders can apply for additional Convertible Preference Shares from any Shortfall and thereby increase their investment in BioDiem. The major Shareholders who contributed to the \$200,000 loan to the Company are also eligible to apply for Shortfall Convertible Preference Shares.
- Funds will be used to progress the next phase of commercialisation of BioDiem's influenza vaccine (LAIV) licensing business; and its antimicrobial, BDM-I, in development for the treatment of infectious diseases through BioDiem's subsidiary, Opal Biosciences Limited ("Opal Biosciences"). BioDiem has commercial parties interested in new and extended LAIV licences. BioDiem receives upfront, milestone and royalty payments from new licences to its technology.

- The proceeds of the Offer will be applied to:
 - Developing existing and new commercial licensing opportunities for the influenza vaccine (LAIV) technology;
 - Providing support for BioDiem's subsidiary, Opal Biosciences, to conduct further studies for a data package for licensing:
 - Conduct dose-ranging and pharmacokinetic studies to prepare for efficacy testing; and
 - Conduct proof-of-concept studies in relevant infectious disease models; and
 - Continue mechanism of action studies at Western Sydney University.
 - Supporting the Institute of Experimental Medicine (IEM), in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees; including
 - Serum Institute of India (SII) following the product launch of Nasovac-S, SII's seasonal influenza vaccine in India, and commercialisation in SII's export markets following Nasovac-S' receipt of WHO prequalification in October 2015. BioDiem receives royalties from SII sales of the LAIV vaccine into the private sector market in these territories; and
 - support of Changchun BCHO Biotechnology Co which received approval in September 2015 to conduct clinical trials from the Chinese FDA. Clinical trial enrolment commenced in March 2016. BioDiem will receive royalties from BCHO on the eventual sales of the LAIV vaccine in the private sector in China.

and

- Paying the costs of the Offer, business development and working capital expenses.

If less than \$800,000 in funds are raised by 3 August 2016, then funds will be returned to applicants and the Company will reduce its operations substantially to become a royalty receiver only. This would be expected to impact negatively on the future prospects of the Company. A detailed table of the intended allocation of funds raised is included in Section 2.3.

- Non-shareholders resident in Australia or New Zealand can invest in the Company by applying for Convertible Preference Shares from the Shortfall in acceptances of the Entitlement Offer (if any).

KEY RISKS

There are risks in investing in Convertible Preference 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 Convertible Preference Shares and the Company's industry generally.

Prospective investors should read this Prospectus in its entirety before deciding whether to apply for Convertible Preference Shares under this Prospectus. In particular, the risks described set out in Section 6 commencing on page 46, 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
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 6.2
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 6.3
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 6.4
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 6.5
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 6.6
Funding Requirements – there can be no assurance that future funding will be available - revenue has been received from the Company's LAIV influenza vaccine technology licensees, however that revenue is not as yet regular or able to be estimated in advance with certainty	Section 6.7
Dilution – the shareholding in the Company of Shareholders who do not take up their entitlements in full pursuant to the Offer will be diluted	Section 6.8
Unlisted, illiquid Shares – The Company and its securities are not listed or quoted on ASX or any other securities exchange.	Section 6.9
Other risks of a more general nature include: <ul style="list-style-type: none"> • General economic climate 	Section 6.10

<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 performance of business activities	<p>Section 6.11</p> <p>Section 6.12</p> <p>Section 6.13</p> <p>Section 6.14</p>

CHAIRMAN'S LETTER

Dear Shareholder,

I am writing to invite you to participate in a new capital raising for our Company to raise up to \$1,250,000. This will be done through a non-renounceable entitlement issue on the basis of 1 Convertible Preference Share at a price of 8 cents (\$0.08) for every 10 Shares held at the Record date.

Each holder of a Convertible Preference Share will be entitled to receive a priority amount equal to eight times the issue price of that share, before the holders of ordinary shares receive any amount by way of dividend, return of capital or otherwise. Once the holders have received the priority amount, the Convertible Preference Shares will convert automatically into Ordinary Shares, ranking equally with all other ordinary shares of the Company. Holders may elect to convert their Convertible Preference Shares into Ordinary Shares before they have received the priority amount.

The Directors of the Company are very aware that this Offer runs close to that held last year and that while we had expected the Company to be cash flow positive before now, we are again reaching out to Shareholders for support. Our technologies, we believe are valuable, and this belief is being corroborated by interest from third parties and commercial approaches asking for additional new licences to our technology. However, the revenue stream that we had expected by now to be sufficient to support the commercial exploitation of our technologies and our commercial discussions, has been slow to start. The funds raised from this Offer will be used for that purpose.

Because of this, and the Directors' strong belief in the current prospects of both BioDiem and its subsidiary, Opal Biosciences, we are offering Convertible Preference Shares which will give priority payments to those Shareholders who subscribe for them.

Cash is the lifeblood of biotech companies, and BioDiem's three largest Shareholders (including myself) have supported the Company by contributing more than \$3m out of the \$4m raised over the past four years. Importantly, we also realise that we cannot ask Shareholders to contribute endlessly and therefore we have included a minimum subscription of \$800,000 for this Offer. This means that if the Offer does not reach \$800,000 in subscriptions by 3 August 2016, all subscription funds under this Offer will be returned to applicants, and accordingly the Company will wind back its operations severely. Last month both myself and Sir David Li, as major Shareholders, have made loans to the Company totalling \$200,000. These loans will convert to Convertible Preference Shares on the completion of the Offer and on the same basis as that of other subscribing Shareholders. If the minimum of \$800,000 is not reached then the loans will remain as unsecured loans to the Company in its wound-back form.

You might ask how likely it is to reach the \$800,000 minimum? On one view of it, the likelihood of this should not influence your decision to participate because if the minimum is not reached then all subscription funds under this Offer will be returned to applicants. The minimum being sought is \$800,000 from the Offer which when added to the \$200,000 already in from the loans, gives a total of \$1,000,000. As for myself, I will be taking up my entitlement so that my total contribution towards the \$1,000,000 will be \$149,954 (being a \$100,000 loan which will convert to Convertible Preference Shares and \$49,954 under the Offer). Sir David Li has already contributed \$100,000 as a loan. Aside

from this, the intentions of the other major shareholders to take up their entitlements in part or full are not yet confirmed. The CEO, Julie Phillips has indicated she intends to apply for \$50,000 under the Offer and take up her full entitlements.

Under the Offer, eligible Shareholders who were registered on the Record Date, being 13 June 2016 will be able to subscribe for one Convertible Preference Share at a price of 8 cents (\$0.08) for every 10 Shares held at the Record Date to raise approximately \$1,250,000 before the costs of the Offer. Eligible Shareholders (including the two major Shareholders who have already contributed as a loan) will also be able to apply for additional Convertible Preference Shares from any Shortfall in acceptances, at the same price. The same offer to subscribe for Shortfall Convertible Preference Shares is available to non-shareholders resident in Australia and New Zealand.

The funds raised from the Offer will be applied to:

- Developing existing and new commercial licensing opportunities for the influenza vaccine (LAIV) technology;
- Providing support for BioDiem's subsidiary, Opal Biosciences, to conduct further studies for a data package for licensing (i.e. dose-ranging and pharmacokinetic studies; proof-of-concept studies in relevant infectious disease models; and continued mechanism of action studies at Western Sydney University.
- Supporting the IEM in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees; including
 - Serum Institute of India (SII) following the product launch of Nasovac-S, SII's seasonal influenza vaccine in India, and commercialisation in SII's export markets following Nasovac-S' receipt of WHO prequalification in October 2015. BioDiem receives royalties from SII sales of the LAIV vaccine into the private sector market in these territories; and
 - support of Changchun BCHO Biotechnology Co which received approval in September 2015 to conduct clinical trials from the Chinese FDA. Clinical trial enrolment commenced in March 2016. BioDiem will receive royalties from BCHO on the eventual sales of the LAIV vaccine in the private sector in China; and
- Paying the costs of the Offer, business development and working capital expenses.

The Prospectus contains important information about the Offer, including details of the Offer, key dates, actions required by Shareholders and risk factors associated with the Offer.

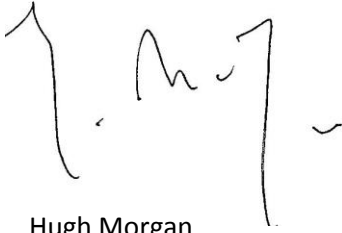
You are encouraged to read this Prospectus and the accompanying Entitlement and Acceptance Form in full. If you have any queries in relation to the Offer, you should consult your stockbroker or other professional advisor.

Shareholders who have any queries about the Offer can contact the Company at any time from 9.00am to 5:00pm (Melbourne time) during the offer period. The Offer closes at 5.00pm on 29 July 2016.

The next two years we expect to be the most significant for the Company and will build on the hard work and successes to date. In the expectation that we will have commercial success in this period, I invite you to join me and participate in this Offer.

If you have any questions in relation to this, our CEO, Julie Phillips, would be pleased to hear from you. You can contact her at jphillips@biodiem.com to arrange a time to talk.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'H. Morgan'.

Hugh Morgan
Chairman

1. INVESTMENT OVERVIEW

1.1. INTRODUCTION

What does BioDiem do?

See Section 4 on page 38 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 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. BioDiem has commercial parties interested in new and extended LAIV licences. BioDiem receives upfront, milestone and royalty payments from new licences to its technology.

BioDiem's subsidiary, Opal Biosciences, is developing new therapies to tackle hard-to-treat and serious infections and is currently in programs in the US for drug-resistant tuberculosis and for infections caused by the fungal agent, *Pneumocystis* species.

Why is the Offer being made?

See Section 2 on page 26 for further detail

The Offer is being made to raise up to \$1,250,000 (before costs of the Offer) to:

- Develop existing and new commercial opportunities to attract and secure additional licencees for BioDiem's influenza vaccine (LAIV) technology; and
- Support commercialisation by Opal Biosciences of the BDM-I technology.

What impact will the Offer have on BioDiem?

See Sections 2.5 and 2.6 on page 27 & 28 for further detail

If all the Convertible Preference Shares offered under this Prospectus are issued and are subsequently converted into Ordinary Shares, the number of Ordinary Shares on issue will increase by 8.94% and BioDiem will receive approximately \$1,250,000 (before costs of the Offer) for application to the ongoing development and commercialisation of its vaccine and infectious disease treatment programs. This includes the conversion of the \$200,000 loan from two of the major Shareholders to Convertible Preference Shares. If the minimum number of the Convertible Preference Shares offered under this Prospectus is issued and they are subsequently converted into Ordinary Shares, the number of Ordinary Shares on issue will increase by 7.15% and BioDiem will receive approximately \$1,000,000 (before costs of the Offer) for application to the ongoing development and commercialisation of its vaccine and infectious disease treatment programs. This includes the conversion of the \$200,000 loan from two of the major Shareholders to Convertible Preference Shares.

If fewer than 10,000,000 Convertible Preference Shares (i.e. \$800,000) offered under this Prospectus are subscribed for, the subscription funds will be returned to applicants and the number of Shares on issue will not increase and BioDiem will receive no further funds and will bear the costs of the Offer. The \$200,000 loan from two of the major Shareholders will remain as an unsecured loan.

The percentage shareholding in the Company of Shareholders who do not take up all of their entitlements (including ineligible foreign Shareholders) will be diluted, following conversion of the Convertible Preference Shares into Ordinary Shares.

1.2. KEY FEATURES OF BIODIEM'S BUSINESS MODEL

See Section 4 on page 38 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 relating to the LAIV technology for the first half of financial year 2016 of \$126,255, surpassing the amount for the same period in 2015 (\$103,732). The total for 2015 was approximately \$179,962.

BioDiem has commercial parties interested in new and extended LAIV licences. BioDiem receives upfront, milestone and royalty payments from new licences to its technology.

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, in return for licence income.

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's subsidiary, Opal Biosciences' website is www.opalbiosciences.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. Announcements can be mailed to Shareholders who join BioDiem's email list.

1.3. RISKS

See the Key Risks summary on page 12 and Section 6 Risk Factors on page 46 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 Convertible Preference 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.

If the minimum amount of funding of \$800,000 sought under this Prospectus is not met, then subscription funds raised under this Prospectus will be returned to applicants, and the Company will reduce its operations substantially to become a royalty receiver only. This would be expected to impact negatively on the future prospects of the Company. More details about risks are set out in the Key Risks summary on page 12 and Section 6, which you are encouraged to read and consider carefully.

1.4. KEY FINANCIAL INFORMATION

See Section 5 on page 43 for further detail

What is the key financial information?

A proforma (unaudited) balance sheet is included in Section 5. The Company's past financial reports are also available on its website at www.biodiem.com and can be obtained from ASIC.

When will dividends be paid?

While, it is not envisaged that dividends will be paid by BioDiem in the foreseeable future, the Directors intend to declare dividends as soon as practical. Holders of the Convertible Preference Shares will receive dividends in priority to other Shares, until they have received 8 times the issue price of their Convertible Preference Shares.

1.5. DIRECTORS AND KEY MANAGEMENT PERSONNEL

See Section 7 on page 51 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).

Prof. Larisa Rudenko (Non-executive Director).

Prof Arthur Li (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 28 for further detail

Two of the Company's largest Shareholders have made unsecured loans totalling \$200,000 to the Company which would convert to Convertible Preference Shares with the same terms and conditions as those offered under this Prospectus if the minimum subscription of \$800,000 is reached. Consequently, following those conversions, these Shareholders would have increased their shareholding percentages in the Company as follows:

Shareholder	Holding Pre-Offer (%)	Assuming conversion of unsecured loan into Convertible Preference Shares, and subsequently converted into Ordinary Shares	Holding (%) Post-conversion of unsecured loan into Convertible Preference Shares (based on minimum subscription met under the offer) and not including any additional entitlement take-up
Sir David K.P. Li	54,510,869 (31.20%)	1,250,000	55,760,869 (29.78%)
First Charnock Pty Ltd [^]	18,744,267 (10.73%)	1,250,000	19,994,267 (10.68%)
Sub-Total [#]	73,255,136 (41.93%)	2,500,000	75,755,136 (40.46%)
Other Shareholders	101,478,924 (58.07%)		111,478,924 (59.54%)

[^] 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 two Shareholders.

The chairman of BioDiem, Mr Hugh Morgan AC, intends to take up his full entitlements under this Offer, in part through the conversion of the loan he has made to the Company into Convertible Preference Shares and, as to the balance, by the subscription of additional funds. The largest shareholder, Sir David Li, has already contributed \$100,000 as a loan which will convert to Convertible Preference Shares with the same terms and conditions as those offered under this Prospectus if the minimum subscription of \$800,000 is reached. Aside from this, the intentions of the major shareholders to take up their entitlements in part or full are not yet confirmed. If the Offer is fully subscribed, with all shareholders subscribing to their full entitlements, then the major

shareholders on conversion of their Convertible Preference Shares into Ordinary Shares will hold the same percentage shareholding post-offer as they did pre-Offer prior to the loan and the prospectus issue. However, if there is a Shortfall these major Shareholders may apply for Shortfall Convertible Preference Shares, in which case their percentage shareholding may increase above the percentages they held prior to the loan and the Prospectus issue pursuant to any Shortfall Convertible Preference Shares issued to them. Please refer to section 2.6 for further details on the potential outcomes if the Offer is not fully subscribed.

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 Convertible Preference Shares on the same basis as other Eligible Shareholders. The two major Shareholders who have made an unsecured loan to the Company will convert this loan to Convertible Preference Shares at the same price and on the same terms and conditions as set out in this Prospectus if the minimum subscription is reached. The number of Convertible Preference Shares issued on conversion of the loan will be less than those they would otherwise be entitled to under the Prospectus. If they apply for Shortfall Convertible Preference Shares they would do so on the same basis as other Eligible Shareholders. If the minimum subscription of \$800,000 is not met, then the major Shareholders will not convert their unsecured loan to Convertible Preference Shares and the loan will remain until repaid by the Company.

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 on page 26 for further detail

A non-renounceable pro rata offer of one Convertible Preference Share at \$0.08 for every 10 Ordinary Shares held on the Record Date (1 for 10), rounding up fractional entitlements.

Each holder of a Convertible Preference Share will be entitled to receive a priority amount equal to eight times the issue price of that share, before the holders of ordinary shares receive any amount by way of dividend, return of capital or otherwise. Once the holders have received the priority amount, the convertible preference shares will convert automatically into ordinary shares, ranking equally with all other ordinary shares of the Company. Holders may elect to convert their Convertible Preference Shares into ordinary shares before they have received the priority amount.

The rights and entitlements attaching to the Convertible Preference Shares are set out in Section 8 on page 56. Eligible Shareholders who accept their entitlement in full can also apply for additional new Convertible Preference Shares from the Shortfall in acceptances.

The Company may also accept applications for new Convertible Preference Shares from the Shortfall in acceptances from non-shareholders resident in Australia.

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

See Section 2.3 on page 27 for further detail

The proceeds of the Offer will be applied to:

- Developing existing and new commercial licensing opportunities for the influenza vaccine (LAIV) technology;
- Providing support for BioDiem's subsidiary, Opal Biosciences, to conduct further studies for a data package for licensing:
 - Conduct dose-ranging and pharmacokinetic studies to prepare for efficacy testing; and
 - Conduct proof-of-concept studies in relevant infectious disease models; and
 - Continue mechanism of action studies at Western Sydney University.
- Supporting the IEM in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees; including
 - Serum Institute of India (SII) following the product launch of Nasovac-S, SII's seasonal influenza vaccine in India, and commercialisation in SII's export markets following Nasovac-S' receipt of WHO prequalification in October 2015. BioDiem receives royalties from SII sales of the LAIV vaccine into the private sector market in these territories; and
 - support of BCHT Biotechnology Co who received approval in September 2015 to conduct clinical trials from the Chinese FDA. Clinical trial enrolment commenced in March 2016. BioDiem will receive royalties from BCHT on the eventual sales of the LAIV vaccine in the private sector in China.

and

- Paying the costs of the Offer, business development and working capital expenses.

If less than \$800,000 in funds are raised, then funds will be returned to applicants and the Company will reduce its operations substantially to become a royalty receiver only. This would be expected to impact negatively on the future prospects of the Company.

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 27 for further detail

The total number of Ordinary Shares that will be on issue if all Convertible Preference Shares offered under this Prospectus are issued and subsequently converted into Ordinary Shares will be 190,359,060 Shares (subject to rounding).

Will the Convertible Preference Shares be quoted?

No, BioDiem ceased to be listed on the Australian Securities Exchange ("ASX") on 15 November 2013. Convertible Preference 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 32 for further detail

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

If there is a Shortfall, the Company has discretion regarding the allocation of Shortfall Convertible Preference Shares to applicants (whether applied for by Eligible Shareholders in addition to entitlements or applied for by non-shareholders resident in Australia or New Zealand) and may reject an application for Shortfall Convertible Preference Shares, or allocate fewer Shortfall Convertible Preference Shares than applied for. The Company intends to allocate Shortfall Convertible Preference Shares first to existing shareholder applicants pro-rata to their existing shareholdings and secondly (if any Shortfall Convertible Preference Shares remain), to non-shareholder applicants pro-rata to the number of Convertible Preference Shares specified in their application.

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 Convertible Preference Shares on the acquisition of Convertible Preference Shares under this Prospectus.

What are the tax implications of investing in Convertible Preference Shares?

See Section 2.13 on page 35 for further detail

You will be subject to Australian taxation on any dividends paid by the Company on the Convertible Preference Shares and also on the disposal of any Convertible Preference Shares. The taxation consequences on any investment in Convertible Preference 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 Convertible Preference Shares?

See Section 2.7 on page 30 for further detail

Eligible Shareholders can accept their entitlement for the number of Convertible Preference Shares set out in the personalised Entitlement and Acceptance Form. Return the completed Entitlement and Acceptance Form with a cheque for your payment to the Company or make payment by BPay®. Eligible Shareholders may also apply for additional Convertible Preference 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 accepted by the Company.

Non-shareholders resident in Australia or New Zealand may apply for Convertible Preference 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 32 for further detail

It is anticipated that written confirmation of the number of Convertible Preference Shares to be issued to Shareholders and applicants will be despatched by post on or about 8 August 2016. At this time notification of any refund will be given if the minimum subscription is not reached.

If you receive an allocation of Convertible Preference 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 Convertible Preference Shares. Anyone who sells Convertible Preference Shares before receiving written confirmation of the number of Convertible Preference 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 or New Zealand) do?

Ineligible foreign Shareholders will not be eligible to subscribe for their entitlement Convertible Preference Shares or apply for Shortfall Convertible Preference Shares. Consequently, their shareholding in the Company will be diluted following the conversion of the Convertible Preference Shares into Ordinary Shares.

What happens to ineligible foreign Shareholders' entitlements?

In respect of ineligible foreign Shareholders, those new Convertible Preference 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 Convertible Preference Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional Convertible Preference Shares or to non-shareholder applicants resident in Australia or New Zealand.

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

No. The Offer is non-renounceable so you cannot sell your entitlements. The Convertible Preference Shares are not listed on ASX or any other securities exchange.

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

See Key Date Section on page 9 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 Convertible Preference Shares to successful applicants.

Is the Offer conditional on achieving a minimum subscription?

Yes – there is a minimum subscription of \$800,000. If this amount is not reached, the subscription funds will be returned in full to applicants.

What happens if the Offer is withdrawn?

See Section 2.8 on page 32 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 Convertible Preference Share for every 10 Shares held on the Record Date, rounding up fractional entitlements, at an issue price of 8.0 cents (\$0.08) per Convertible Preference Share, to raise up to approximately \$1,250,000 before costs of the Offer. The minimum subscription total is \$800,000.

Each holder of a Convertible Preference Share will be entitled to receive a priority amount equal to eight times the issue price of that share, before the holders of ordinary shares receive any amount by way of dividend, return of capital or otherwise. Once the holders have received the priority amount, the convertible preference shares will convert automatically into ordinary shares, ranking equally with all other ordinary shares of the Company. Holders may elect to convert their Convertible Preference Shares into ordinary shares before they have received the priority amount. (Full terms of the Convertible Preference Share can be found in Section 8).

Eligible Shareholders who accept their entitlement in full can also apply for additional Convertible Preference Shares from the Shortfall in acceptances at the same price. The Company may also accept applications for Convertible Preference Shares from non-shareholders resident in Australia or New Zealand at the same price from the Shortfall in acceptances.

All Convertible Preference Shares issued under this Prospectus will rank equally in all respects.

The Convertible Preference Shares rank in priority to the Company's existing fully paid Ordinary Shares in respect of dividends and capital returns until the holders have received 8 times the issue price of the Convertible Preference Shares. The Convertible Preference Shares have limited voting rights. Once the holders of the Convertible Preference Shares have received the preferential return, the Convertible Preference Shares will convert into Ordinary Shares. The rights and entitlements attaching to the Convertible Preference Shares are set out in Section 8 of this Prospectus.

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 or New Zealand, are eligible to subscribe for Convertible Preference Shares under the Entitlement Offer, and may also apply for Convertible Preference Shares from the Shortfall in acceptances of entitlements.

Non-shareholders having an address in Australia or New Zealand may apply for Convertible Preference 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 or New Zealand) will not be entitled to subscribe for Convertible Preference Shares under this Prospectus or apply for Shortfall Convertible Preference Shares.

Optionholders are not entitled to participate in the Offer in respect of their options unless they have exercised their options and been issued with their Convertible Preference 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 \$1,250,000 (before costs of the Offer) with a minimum of \$800k to:

	Approximate allocations at:		
	Full subscription (\$1,250,000 less \$200,000 loan)	Minimum subscription (\$800,000)	Less than \$800,000
Develop existing and new commercial opportunities to attract and secure additional licencees for the LAIV technology	\$308,000	\$308,000	-
Provide ongoing support for BioDiem's subsidiary company, Opal Biosciences, and to continue the data collection to support a data package for licensing	\$246,000	\$246,000	-
Provide support to the IEM in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licenseees	\$172,000	\$172,000	-
Working Capital	\$281,000	\$31,000	-
Costs of the Offer (per Section 5.2)	\$43,000	\$43,000	\$43,000
TOTAL	\$1,050,000	\$800,000	(\$43,000)

If less than \$800,000 in funds are raised, then funds will be returned to applicants and the Company will reduce its operations substantially to become a royalty receiver only. This would be expected to impact negatively on the future prospects of the Company.

2.4. UNDERWRITING

The Offer is not underwritten.

2.5. CAPITAL STRUCTURE

The following tables show existing issued Ordinary 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 Ordinary Shares	174,734,060
Convertible Preference Shares being offered under this Prospectus*	15,625,000
Number of Ordinary Shares on issue following the Offer (assuming full subscription)* and following the subsequent conversion of Convertible Preference Shares into Ordinary Shares	190,359,060

** subject to rounding*

The Company has agreed to issue 3,000,000 options (each to acquire one Share) pursuant to an ESOP but has not yet issued those options and will not do so before the Record Date. Further details, including the terms of these options, are set out in Section 9.5.1.

No options are offered or will be issued under this Prospectus. The terms of the options which the Company has agreed to issue are set out in section 9.5.

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 following the subsequent conversion of the Convertible Preference Shares into Ordinary Shares. Ineligible foreign Shareholders who are not eligible to take up their entitlements will 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 Ordinary Shares)
Sir David K.P. Li	54,510,869	31.20%
Brezza Enterprises ("Brezza")	45,119,964	25.82%
First Charnock Pty Ltd [^] ("Charnock")	18,744,267	10.73%
Sub-total [#]	118,375,100	67.75%
Other Shareholders	56,358,960	32.25%

[^] 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, Brezza and Charnock.

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

As noted in section 1.6, Sir David Li and Charnock have already lent a total of \$200,000 to the Company and this will convert to Convertible Preference Shares on conclusion of the Offer should the minimum subscription of \$800,000 be reached. The Chairman, Mr Hugh Morgan (Charnock) intends to take up the balance of his entitlements to Convertible Preference Shares, being an additional \$49,954 in the Offer, whereas the intentions of the other major shareholders are not yet known.

The table below sets out additional shareholding information based on differing levels of take up of entitlements by Shareholders. Each case assumes no Shortfall Convertible Preference Shares are issued and that the Convertible Preference Shares are subsequently converted into Ordinary Shares.

	Sir David Li	Brezzo	Charnock	Other Shareholders
Holding (%) if David Li does not take up further entitlement; but others take full entitlements	55,760,869 (29.66%)	49,631,960 (26.40%)	20,618,694 (10.97%)	61,994,856 (32.03%)
% Holding if David Li and others take up full entitlements ; but Brezzo takes up no entitlements	31.95%	24.04%	10.99%	32.25%
% Holding if majors take up full entitlements but other shareholders take only 50%	31.66%	26.21%	10.89%	31.25%
% Holding if majors take up full entitlements but other shareholders take only 20%	31.95%	26.44%	10.99%	30.63%

If Shareholders do not accept their entitlements (including ineligible foreign Shareholders who are not eligible to take up their entitlements), their holdings will be diluted following the issue of the Convertible Preference Shares and their subsequent conversion into Ordinary Shares. Examples of the impact of dilution on existing holdings where the Shareholder does not take up its entitlement if all the offered Convertible Preference Shares are issued (including by all Shortfall Convertible Preference Shares being applied for by other Shareholders or non-shareholders) are set out below. If not all the Shortfall Convertible Preference Shares were to be issued, there would be less dilutive effect on each holding. In addition, if shareholders do not take up their entitlement, the returns from their shareholding will be affected as the Convertible Preference Shares attract returns prior to returns to Ordinary Shareholders.

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 and after the conversion of the Convertible Preference Shares into Ordinary Shares
A	5,000	0.0029%	500	5,000	0.0026%
B	25,000	0.0143%	2,500	25,000	0.0131%
C	50,000	0.0286%	5,000	50,000	0.0263%
D	100,000	0.0572%	10,000	100,000	0.0525%
E	500,000	0.2862%	50,000	500,000	0.2627%
F	1,000,000	0.5723%	100,000	1,000,000	0.5253%

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

For existing Eligible Shareholders:

Acceptance of your entitlement for Convertible Preference Shares (and applications for additional Convertible Preference 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 at their discretion. 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 Convertible Preference 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 Convertible Preference Shares up to the amount of the balance of your payment.

For non-shareholder applicants resident in Australia or New Zealand:

Applications for Shortfall Convertible Preference 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 Convertible Preference Shares accepted and/or applied for multiplied by the price of each Share (\$0.08). 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 Convertible Preference Shares you have applied or is more than required for the number of Convertible Preference Shares you have applied for you will be taken to have applied for such whole number of Convertible Preference 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 Convertible Preference 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, and their personnel accept no responsibility for lost or delayed forms or payments.

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

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

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 Convertible Preference 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 Convertible Preference Shares from the Shortfall or to allocate to an applicant for Convertible Preference Shares from the Shortfall fewer Shortfall Convertible Preference 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 Convertible Preference Shares than specified in the form if payment is not received or payment of less than the full amount payable for the new Convertible Preference Shares is received.

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

Shortfall Convertible Preference 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 Convertible Preference Shares, allocate all or a lesser number of Shortfall Convertible Preference Shares applied for, and/or accept a late forms and payments. The Company will not accept oversubscriptions if the number of Shortfall Convertible Preference Shares applied for exceeds the Shortfall (if any). The Company may scale back or reject applications for Shortfall Convertible Preference Shares at the Directors' discretion. The Company may apply a scale back of applications for Shortfall Convertible Preference Shares differently among applicants. Applicants for Shortfall Convertible Preference Shares will be bound to accept a lesser number of Shortfall Convertible Preference Shares allocated to them than applied for.

This timetable of the Offer, including the anticipated date of issuing Convertible Preference Shares is indicative only and may change without notice (including by being extended). The Company may withdraw the Offer at any time before the Convertible Preference 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 Convertible Preference Shares and applicants for Convertible Preference Shares from the Shortfall (if any) will be notified in writing of the number of Convertible Preference 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 Convertible Preference Shares and other applicants for Convertible Preference Shares

from the Shortfall to confirm the number of Convertible Preference Shares allocated to them prior to trading in Convertible Preference Shares. Anyone who purports to sell Convertible Preference Shares before they receive notice of the Convertible Preference 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 Convertible Preference 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

WARNING: 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.

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 investors" 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.]

2.12. OTHER OVERSEAS INVESTORS

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

- (a) The number of Shareholders registered outside of Australia or New Zealand;

- (b) The number and value of securities to be offered to Shareholders registered outside of Australia or New Zealand; 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 or New Zealand. No action has been taken to register or qualify the Offer or the Convertible Preference Shares or otherwise to permit a public offering of the Convertible Preference Shares in any jurisdiction outside Australia and New Zealand.

Ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia or New Zealand) will not be entitled to be subscribe for Convertible Preference Shares under this Prospectus and consequently their shareholdings will be diluted following the issue of the Convertible Preference Shares and their subsequent conversion to Ordinary Shares.

In respect of ineligible foreign Shareholders, those Convertible Preference 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 Convertible Preference Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional Convertible Preference Shares or to non-shareholder applicants resident in Australia or New Zealand.

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 or New Zealand 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 (or New Zealand) 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. Due to foreign securities law restrictions, nominees and custodians may not forward this offer document to beneficial Shareholders outside Australia or New Zealand without the consent of the Company.

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 or New Zealand.

In submitting Entitlement and Acceptance Form or general application form, or paying an amount by BPay®, you represent and warrant to the Company that:

- You are an Australian or New Zealand citizen or are resident in Australia or New Zealand, are located in Australia or New Zealand 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 Convertible Preference Shares in the United States or in any other jurisdiction outside Australia or New Zealand, 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 Convertible Preference Shares are offered and sold.

2.13. TAXATION CONSIDERATIONS

The Australian taxation implications of an investment in Convertible Preference 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.

2.14. 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. The Convertible Preference Shares rank in priority for dividends and return of capital to the Ordinary Shares until such time as the holders of the Convertible Preference Shares have received 8 times the issue price of the Convertible Preference Shares.

2.15. 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. Australian biotechnology companies look beyond the Australian market to the global market. Biotech products and technologies tend to be relevant to the international market. Also because regulatory standards around the world are often linked, Australian biotech companies develop technologies and products to high standards e.g. to FDA standards so that regulatory acceptance globally is most efficiently achieved.

Many Australian biotech companies do not develop their technologies right through to marketing. Estimates of costs to get a drug to market range from US\$2.5 billion¹ to as much as US\$11 billion². Therefore often it is larger overseas companies who acquire or licence the products and technologies being developed by Australian biotech companies, with the aim to further develop and commercialise them for the global pharmaceutical market. In the past two years deals representing \$4.5 billion in value have occurred in Australia. All these deals represent licences or trade sales of technologies in development, i.e. not yet on the market in Australia or elsewhere.

According to the 2015 Scientific American Worldview Scorecard,³ which ranks the biotechnology *innovation potential* of 54 countries according to seven categories,⁹ Australia ranked fourth overall, with the US, Denmark and NZ ranking 1st, 2nd and 3rd respectively.

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 of other industries for example, 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 agent 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 required 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

1 <http://www.scientificamerican.com/article/cost-to-develop-new-pharmaceutical-drug-now-exceeds-2-5b/>

2 <http://www.forbes.com/sites/matthewherper/2012/02/10/the-truly-staggering-cost-of-inventing-new-drugs/#29152b524477>

3 http://www.scientificamerican.com/wv/assets/2015_SAWorldView.pdf

⁹ the categories are: Productivity, IP protection, Enterprise Support, Intensity, Education/Workforce, Foundations and Policy & Stability.

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.

According to the Review of Medicines and Medical Devices Regulation Discussion Paper, November 2014, *The Australian medicines industry is a major high tech industry. It employs an estimated 41,000⁴ people, around 13,000 of which are in the pharmaceutical manufacturing sector, and is one of Australia’s biggest employers of science graduates.⁵ The Australian industry spends around \$1 billion per annum on Research and Development.⁶*

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.

The Australian Federal Government’s Industry Innovation and Competitiveness Agenda report (Oct 2014)⁸ identified five areas where Australia is globally competitive, and which the government planned to offer support. Three were in the biotechnology sector, being medical technology and biopharmaceuticals, agriculture and food, and advanced manufacturing. The Federal Government’s new National Innovation and Science Agenda announced in December 2015 is driving the growth of these sectors, and together with the research and development tax incentive is attracting global investor attention. Initiatives such as the proposed angel investor tax incentives and the Biotech Translation Fund due to commence operations in late 2016⁷ are also attracting international investor interest to the Australian biotech sector.

⁴ Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, (2013) Australian Pharmaceuticals Industry Data Card 2013. Downloaded on 13 January 2014 from: http://www.industry.gov.au/industry/IndustrySectors/PharmaceuticalsandHealthTechnologies/Pharmaceuticals/Documents/Australian_Pharmaceuticals_Industry_Data_Card.pdf

⁵ Medicines Australia (2013), Op. cit. pp. 21 and 9.

⁶ Medicines Australia (2013), Op. cit. p. 4.

⁸ www.dpmc.gov.au/sites/default/files/publications/industry_innovation_competitiveness_agenda.pdf

⁷ <http://industry.gov.au/Innovation-and-Science-Australia/Documents/Speech-UA-10-March-2016.pdf>

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.

BioDiem's business model is to generate income from existing and new licences to its LAIV influenza vaccine and other technologies. Its two current commercial partners are Serum Institute of India and Changchun BCHO Biotechnology Co in China. Income comes from licence fees and royalties on sales.

BioDiem's antimicrobial technology, BDM-I, is being developed through its subsidiary, Opal Biosciences. Opal Biosciences is an Australian biotechnology company and an innovative player in infectious disease treatment. The unmet need for new anti-infectives is due to increasing resistance to existing antibiotics, more widespread and common difficult-to-treat infections, and the paucity of upcoming new treatments. This need has spurred the EU and US to introduce significant financial incentives to encourage development of new anti-infectives and extension of market exclusivity. BDM-I has a novel mechanism of action and has shown activity against serious disease-causing microbes including *Staph aureus* (Golden Staph).

Company programs

BioDiem's main development programs are:

- **Influenza vaccine program:** Expansion of the revenue-generating LAIV-based influenza vaccine technology licensing business; and
- **BDM-I antimicrobial:** commercialisation of BioDiem's BDM-I for the treatment of important infectious diseases through its subsidiary Opal Biosciences.

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

BioDiem's core technology is the LAIV vaccine technology which is based on proprietary influenza virus strains. It has provided the basis for successful partnerships with major global health organisations, and drives the licensing revenues BioDiem currently receives from its partners in India and China. 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 from the IEM, and maintains a strong relationship with this prestigious Russian Institute. The IEM prepares and provides the annual reassortants which are used by our licencees to manufacture the LAIV influenza vaccines. The reassortants are prepared based on the recommendations made each year by the World Health Organisation (WHO) for flu vaccine manufacture.

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

Recent progress includes

- Commencement of royalty income from sales of Nasovac-S in India, and income from milestone payments totalling \$179,962 in 2015 (2014: \$93,398) and \$126,255 for the first half of FY2016. Nasovac-S is a seasonal flu vaccine based on BioDiem's LAIV vaccine technology. Nasovac-S received WHO prequalification in October 2015: an important commercial milestone as this permits vaccine export to other developing countries of the United Nations. BioDiem will gain income from royalties on sales of Nasovac-S in the private sector of these export markets. The WHO prequalification process comprises a transparent, scientifically sound assessment, which includes dossier review, consistency testing or performance evaluation and site visits to manufacturers. This information, in conjunction with other procurement criteria, is used by UN and other procurement agencies to make purchasing decisions regarding these health-related products or vaccines.
- Therefore with the WHO prequalification approval for Nasovac-S, SII can prepare for export to markets outside India. Sales in the private sector of export markets will strengthen the royalty stream to BioDiem. Regulatory approval will be needed in many of the new export jurisdictions, with expected approval times generally 1-2 years before sales can commence. We understand, in other markets such as some South American PAHO (the Pan American Health Organisation) members, the current WHO prequalification approval is sufficient for marketing approval.
- In May 2015, SII announced a distribution deal with global pharmaceutical company Cipla for Nasovac-S in India. Under the arrangement SII will manufacture the vaccine and it will be distributed in India by Cipla exclusively. Cipla is India's fourth largest drug maker by sales and has more than 60% of its sales outside India. Cipla's turnover in FY2015 was USD 1.7 billion. It has a strong presence in India, and is also in Europe, North America and South Africa. The Nasovac-S distribution arrangement will leverage the strong Cipla sales presence already established in India.
- Additionally, in October 2015, SII and Cipla announced an exclusive agreement for supply of SII's vaccines for the South African market where Cipla's subsidiary, Cipla Medpro P/L, is the third largest pharmaceutical manufacturer. This follows the Cipla and SII announcement in November 2014, where Cipla will seek to market SII's vaccines in Europe to complement Cipla's pharmaceutical product range.
- These announcements coincide with opportunities opening for the LAIV technology in other markets, both developed and developing countries, and ongoing discussions with new parties for additional licences to BioDiem's LAIV technology.
- Changchun BCHT Biotechnology Co. (BCHT), BioDiem's licensee in China, has commenced clinical trials in China following Chinese FDA approval. The results of these clinical trials will be used in support of an application for marketing by BCHT of their influenza vaccine based on BioDiem's LAIV influenza technology. BioDiem will gain income from royalties on sales of BCHT's LAIV vaccine in the private sector in China.

- BioDiem has an on-going pandemic and avian 'flu vaccine development program through its partnership with the IEM. This program is designed to prepare possible influenza vaccines that could be needed in a serious influenza outbreak (pandemic). The candidate vaccines would be already tested for efficacy and safety and be ready to be used. Successful clinical trials have been conducted with the candidate vaccine strains. A recent publication in the Lancet by IEM's Rudenko et al⁸ reports that a H7N9 LAIV vaccine (i.e. using BioDiem's technology and MDV) was well tolerated and safe and showed good immunogenicity. An independent review⁹ of this work, also published in the Lancet, describe this work as "possibly the most promising LAIV immunogenicity data so far".
- On-going collaboration with the University of Georgia (UGA) and the Centers for Disease Control and Prevention (CDC) in a seed grant project for the development and proof-of-concept (ferrets) of a thermostable dry powder LAIV.
- Publication of a Phase II LAIV flu vaccine safety study¹⁰ in 300 children (aged 24-59 months) in Bangladesh showing the vaccine was safe and well tolerated. This study was funded by PATH.
- Phase III efficacy studies designed to assess the effectiveness of the LAIV vaccine in children aged 2 to 8 against laboratory-confirmed influenza have been completed, funded by PATH, the CDC and the Bill and Melinda Gates Foundation.
- Development and clinical trial testing of a series of pandemic influenza vaccine candidates so that, in the case of a serious influenza outbreak, they could be used to manufacture influenza vaccines quickly. This work was supported by PATH, the WHO and the Bill and Melinda Gates Foundation.
- Completion and commissioning of a facility at the IEM in St Petersburg to handle highly pathogenic viruses (such as avian influenza viruses). This work was supported by the WHO and the US Biomedical Advanced Research and Development Authority (BARDA).

BioDiem currently earns revenues through licensing of LAIV influenza vaccine technology to Indian and Chinese partners and seeks further licensees. BioDiem is in discussion with a number of new parties for additional licences to the LAIV technology. The Company notes that while it has received revenue from its LAIV influenza vaccine technology licensees, revenue is not yet regular or able to be estimated in advance with certainty. While the marketing of the Serum Institute of India's seasonal

⁸ Rudenko LG, Isakova-Sivak I, Naykhin A, Kiseleva I, Stukova M, Erofeeva M, Korenkov D, Matyushenko V, Sparrow E, Kieny M-P,. *H7N9 live attenuated influenza vaccine in healthy adults: a randomised, double-blind, placebo-controlled, phase 1 trial*. Lancet Infect Dis 2016; 16: 303–10

⁹ Zanin M, Webby R. *Live-attenuated H7N9 influenza vaccine is weak, yet strong*. Lancet Infect Dis 2015
Published online December 7, 2015 [http://dx.doi.org/10.1016/S1473-3099\(15\)00425-9](http://dx.doi.org/10.1016/S1473-3099(15)00425-9)

¹⁰ Ortiz et al. *Safety of Russian-backbone seasonal, trivalent, live-attenuated influenza vaccine in a phase II randomized placebo-controlled clinical trial among children in urban Bangladesh*. Vaccine; 2015 Jun 26;33(29):3415-21

LAIV vaccine in India has commenced and more recently export approval given through WHO prequalification approval, 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 2015 audited financial statements which form part of the 2015 Half-Yearly Report referred to further in Section 5, below.

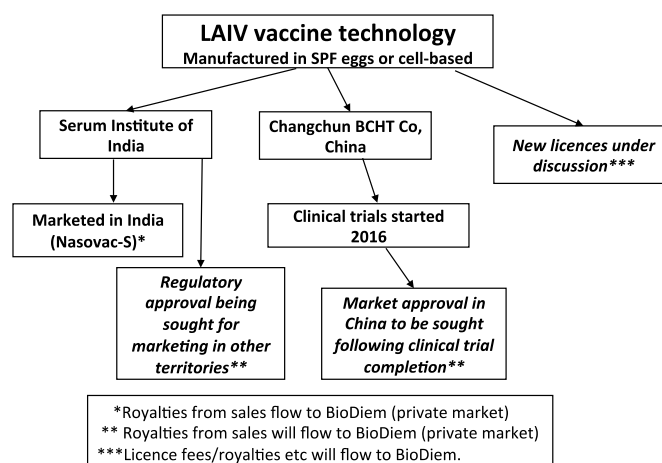
2. BDM-I antimicrobial (in development through Opal Biosciences Ltd): Development of the antimicrobial BDM-I for the treatment of important infectious diseases.

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.

In July 2015 BioDiem Shareholders approved the assignment of our promising antimicrobial compound, BDM-I, into Opal Biosciences:

- The formation of Opal Biosciences in May 2015 was undertaken to permit external investment in the commercialization of BDM-I while allowing BioDiem Shareholders to retain benefit from successful commercialisation.
- Shareholder approval for the transfer of the BDM-I technology into Opal Biosciences was obtained in July 2015.
- Further investigation of how BDM-I works against "superbugs" is being performed by Associate Prof Slade Jensen's unit at the Ingham Institute for Applied Research and Western Sydney University. Preliminary results confirm a novel mechanism of action which positions BDM-I well for licencing discussions.
- Formulation development work has been initiated by an overseas specialist formulation company to develop a suitable intravenous injection for the next stage of work.
- Preliminary safety pharmacology and cytotoxicity studies continue to support the potential for BDM-I to be used as a future therapeutic.
- Continuation of the development program of BDM-I, through Opal Biosciences is planned including proof of concept in animal models of infectious diseases. Expanded safety studies will be performed with the funds raised by this prospectus.

Fig 1: LAIV Influenza vaccine licences and income sources



BioDiem’s business model has been proven successful with significant income having been received for both the cell-based LAIV and egg-based LAIV technologies. BioDiem’s current position is highly encouraging due to its LAIV influenza vaccine program and the opportunity presented by Opal Biosciences.

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 arrangements will be finalised on particular terms, at a specific time, or at all. Announcements would be made on the Company’s websites, www.biodiem.com and www.opalbiosciences.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 2015.

The financial information has been extracted from the reviewed financial statements for the period ending 31 December 2015. The pro-forma Balance Sheet assumes the Offer is fully subscribed (refer further below for Pro Forma adjustments) and raises \$1,250,000 less the estimated costs of the Offer. It also takes into account receipt of \$200,000 subsequent to 31 December 2015 in relation to a two of the Company's major Shareholders providing a collective contribution of \$200,000 through an unsecured loan prior to the opening of this Entitlement Offer. Following the conclusion of a successful capital raising under this Prospectus i.e. subscription funds of \$800,000 or more, that loan will convert to Convertible Preference Shares at the same price and on the same terms and conditions as those offered under this Prospectus.

	<i>Consolidated, reviewed accounts</i>	<i>Post offer - proforma (consolidated)</i>
	31-Dec-15	31-Dec-15
	\$	\$
Current Assets		
Cash and cash equivalents	547,416	1,754,416
Trade and other receivables	16,357	16,357
Other assets	219,416	219,416
Total current assets	783,189	1,990,189
Total assets	783,189	1,990,189
Current liabilities		
Trade and other payables	160,206	160,206
Employee benefits	64,985	64,985
Other	100,000	100,000
Total current liabilities	325,191	325,191
Non-current liabilities		
Employee benefits	48,534	48,534
Total non-current liabilities	48,534	48,534
Total liabilities	373,725	373,725
Net assets	409,464	1,616,464
Equity		
Issued capital	30,766,366	32,973,366
Reserves	310,356	310,356
Accumulated losses	(30,769,057)	(30,769,057)
Equity attributable to the owners of BioDiem Limited	307,665	307,665

	Consolidated, reviewed accounts	Post offer - proforma (consolidated)
	31-Dec-15	31-Dec-15
	\$	\$
Non-controlling interest	101,799	101,799
Total equity	409,464	1,616,464

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 accounts statement of financial position as at 31 December 2015 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 statement of financial position as at 31 December 2015 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 accounts statement of financial position as at 31 December 2015 and has then been adjusted to reflect the following pro-forma adjustment.

5.1.2.Pro-forma adjustments

Pro-forma adjustment 1:

Adjustment for receipt of proceeds of the Offer net of capital raising costs of \$1,207,000 (gross proceeds of the Offer are \$1,250,000 and capital raising costs associated with the Offer are \$43,000). This is on the assumption the Offer is fully subscribed. The Company's total issued Ordinary Shares, assuming the Offer is fully subscribed and following the subsequent conversion of the Convertible Preference Shares into Ordinary Shares and ignoring rounding of fractional entitlements, and the conversion of the unsecured loan, would be 190,359,060.

Pro-forma adjustment 2:

Adjustment for the receipt of \$200,000 subsequent to 31 December 2015 in relation to a collective contribution from two of the Company's major Shareholders of \$200,000 through an unsecured loan prior to the opening of this Entitlement Offer. Following the conclusion of a successful capital raising under this Prospectus i.e. subscription funds of \$800,000 or more, that loan will convert to Convertible Preference Shares at the same price and on the same terms and conditions as those offered under this Prospectus.

Pro-forma adjustment 3:

Adjustment from liabilities to issued capital assuming that the \$200,000 unsecured loan will convert on the minimum subscription being met.

Notes:

The Company notes that since 31 December 2015, the Company has incurred general working capital expenses and Research and Development costs which are not reflected in the pro-forma balance sheet in section 5.1 and as detailed in section 5.1.2.

5.2. Costs of the Offer

The anticipated approximate costs of the Offer are as follows:

Particulars	Amount (\$)
Share registry	16,000
Legal fees	25,000
ASIC fees	2,000
Total	43,000

5.3. Historical accounts

The audited consolidated financial statements of the Company and its controlled entities for the periods ended 30 June 2014 and 30 June 2015, being the most recent full-year financial reports of the Company and its controlled entities, have been lodged with ASIC. The reviewed consolidated financial statements of the Company and its controlled entities for the period ended 31 December 2015, being the most recent half-year financial report of the Company and its controlled entities, have also been lodged with ASIC. The 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 for the 31 December 2015 half year financial statements contains a going concern emphasis of matter, which is a statement as to a material uncertainty regarding the continuation as a going concern. The material uncertainty related to the consolidated entity's ability to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern.

The 30 June 2014, 30 June 2015 and 31 December 2015 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 2014 or 30 June 2015 full year financial statements and 31 December 2015 half-year financial statements or a copy of the 30 June 2015 annual report during the application period of this Prospectus, which the Company will provide free of charge.

5.4. Valuation

The Company's last sale price of shares was in December 2015 at 8 cents per share. The Company has determined the pricing of the Rights Issue after taking into account the current market conditions, previous capital raising prices, the Company's financial position and the fact that the Company is currently not listed on any stock exchange.

The valuation of the Company's shares based on the net asset position at 31 December 2015 does not provide a reliable value as the Company's intellectual property and intangible assets are not capitalised on the Company's Balance Sheet.

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 Convertible Preference 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 Convertible Preference 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 programs 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;
- Slower than anticipated 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 (including ineligible foreign Shareholders) will be diluted following the issue of the Convertible Preference Shares and their subsequent conversion to Ordinary Shares.

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 Convertible Preference Shares, 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 Convertible Preference Shares.

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

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 (including the price of Convertible Preference Shares) 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 Convertible Preference Shares offered under this Prospectus.

Therefore, the Convertible Preference 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 Convertible Preference 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 Convertible Preference 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 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 the Chairman of AusBiotech Ltd, the peak biotechnology industry association in Australia; a non-executive director of MTP Connect, the federal government's medtech and pharma Industry Growth Centre Initiative; and a member of the federal government's R&D Incentives Committee providing advice to the Innovation Australia Board.

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 for developing countries.

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 re-appointed as a Director on January 20, 2016, following his resignation on 13 December 2014 after his original appointment at BioDiem 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 [including Convertible Preference 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*	18,744,267	10.73%	-
Ms Julie Phillips	527,778	0.30%	-^
Prof. Larisa Rudenko	-	-	-
Prof Arthur Li	-	-	-

** 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. These options have not yet been issued and will not be issued prior to the Record Date. Further details of these options are set out in Section 9.5.1.

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 Non-Executive Directors are currently \$0 to Mr Hugh Morgan, \$0 to Prof Arthur Li and \$155,000 to Prof. Larisa Rudenko pursuant to a consultancy agreement (see below).

(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. BioDiem will pay \$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. Ms Phillips has taken a voluntary fee reduction of \$50,000 p.a. from 1 February 2016.

(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 the ESOP. Further details of these options are set out in Section 9.5.1.

(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. TERMS OF CONVERTIBLE PREFERENCE SHARES

8.1. DEFINITIONS

In this Section 8, unless the context requires otherwise, terms defined in the Glossary in Section 10 of this Prospectus or in the Constitution have the same meaning when used in this Section and the following terms have the following meanings:

"Conversion Date" means a date notified to the Company, by a CPS Holder on which the Company must convert some or all of the Convertible Preference Shares held by that CPS Holder on issue to Ordinary Shares.

"Conversion Notice" means a notice in accordance with clause 8.5.1 of this Section.

"Conversion Rate" means, in relation to each Convertible Preference Share, and subject to clause 8.5.9 of this Section, one ordinary Share for each Convertible Preference Share.

"CP Issue Price" means the price at which a Convertible Preference Share is issued and allotted, being \$0.08 per Convertible Preference Share.

"Liquidation Event" means any of the following events:

- (a) the liquidation, dissolution or winding up of the Company;
- (b) a re-organisation, merger, business combination or other transaction in which Members do not retain a majority of the voting power in the surviving or resulting entity;
- (c) the exclusive licensing of all or substantially all of the Company's intellectual property to a third party other than a wholly-owned subsidiary; or
- (d) the sale of all or substantially all of the assets and undertaking of the Company.

"Preferential Dividend" means a dividend declared and payable in respect of a Convertible Preference Share in accordance with clause 8.4.1 of this Section.

"Preferential Return" means a return of capital declared or payable in respect of a Convertible Preference Share in accordance with clause 8.4.2 or 8.4.3 of this Section.

"Priority Amount" means, in respect of a Convertible Preference Share, an amount equal to eight times the CP Issue Price of that Convertible Preference Share.

"Priority Satisfaction Date" means, in respect of a Convertible Preference Share, the date on which the CPS Holder has received (in aggregate) the Priority Amount in respect of that Convertible Preference Share, whether by way of Preferential Dividends, Preferential Returns or both.

8.2. ISSUE OF CONVERTIBLE PREFERENCE SHARES

Each Convertible Preference Share:

- (a) will be issued at the CP Issue Price;
- (b) may be transferred in accordance with clause 8.8 of this Section;
- (c) will have a right to participate in other issues of Shares in accordance with clause 8.6 of this Section;

- (d) will be convertible in accordance with clause 8.5 of this Section; and
- (e) will confer on each CPS Holder the rights, and will be subject to the specific conditions, contained in this Section.

8.3. RIGHTS OF CPS HOLDERS

8.3.1. Information

Each CPS Holder will be entitled to:

- (a) receive notices of, and attend, general meetings of the Company (whether in person, by proxy or attorney, or if a corporation, by representative);
- (b) receive notices of resolutions to be put to the holders of Ordinary Shares without general meetings;
- (c) receive all financial reports, statements and other audited reports of, or concerning, the Company which are sent to the holders of Ordinary Shares; and
- (d) receive any other document or information of, or concerning, the Company which is sent to the holders of Ordinary Shares.

8.3.2. Voting

Each Convertible Preference Share confers on CPS Holders the right to vote:

- (a) while a dividend (or part of a dividend) in respect of the Convertible Preference Share is unpaid;
- (b) on a proposal to reduce the Company's share capital;
- (c) on a resolution to approve the terms of a buy-back agreement;
- (d) on a proposal that affects the rights attached to the Convertible Preference Share;
- (e) on a proposal to wind up the Company;
- (f) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
- (g) during the Company's winding up,

but does not otherwise confer on CPS Holders any voting rights.

8.3.3. Votes

If a CPS Holder is entitled to vote in accordance with clause 8.3.2 of this Section, each Convertible Preference Share will carry the same vote on a show of hands and on a poll as if that Convertible Preference Share was converted to Ordinary Shares at the then current Conversion Rate.

8.3.4. Priority Amount

Each Convertible Preference Share confers on the CPS Holder the right to receive the Priority Amount in respect of that Convertible Preference Share, whether by way of Preferential Dividends or Preferential Returns.

8.4. PRIORITY AMOUNT

8.4.1. Preferential Dividend

Subject to clauses 8.4.4 and 8.4.6 of this Section, each Convertible Preference Share carries the right to receive dividends declared by the Company from time to time, it being intended that, prior to the Priority Satisfaction Date, such dividends will be declared and paid on

Convertible Preference Shares when there is sufficient surplus cash available in the Company and in priority to any dividend on any other issued Shares of the Company.

8.4.2. Return of capital other than on Liquidation Event

Subject to clauses 8.4.4 and 8.4.6 of this Section, each Convertible Preference Share carries the right to receive a return of capital or of any other kind (including any in specie distribution) declared by the Company from time to time, it being intended that, prior to the Priority Satisfaction Date, such returns will be declared and paid on Convertible Preference Shares in priority to any return of capital or of any other kind (including any in specie distribution) on any other issued Shares of the Company,

8.4.3. Returns of capital on Liquidation Event

Subject to clauses 8.4.4 and 8.4.6 of this Section, each Convertible Preference Share carries the right to receive, out of the amount available for distribution following a Liquidation Event, the following amounts (to the extent that there is an amount available for distribution) in the following priority:

- (a) so much of the Priority Amount in respect of that Convertible Preference Share that the CPS Holder has not already received, whether by way of Preferential Dividend or Preferential Return, before any distribution is made in respect of any other issued Shares of the Company; and
- (b) after the amount in clause 8.4.3(a) of this Section has been paid in full, and assuming the Convertible Preference Share has not been converted prior to the time of the Liquidation Event, each Convertible Preference Share carries the right to share in any surplus determined as if each Convertible Preference Share were converted into Ordinary Shares at the Conversion Rate immediately before the distribution.

8.4.4. Right to participate in proportion

As between the CPS Holders, each Convertible Preference Share carries a right to participate in any amount available for distribution to CPS Holders in proportion to the total number of Convertible Preference Shares then on issue.

8.4.5. Restrictions on payments on other Shares

Unless and until each CPS Holder has received (in aggregate) the Priority Amount from the Company, whether by way of Preferential Dividends or Preferential Returns on each Convertible Preference Share has been converted in accordance with clause 8.5 of this Section (whichever occurs first), the Company must not:

- (c) declare, determine or pay any dividend or make any distributions or return of capital or of any kind (including any in specie distribution) on any other issued Shares of the Company; or
- (d) reduce, cancel, buy-back or otherwise acquire for consideration any of the issued shares of the Company.

8.4.6. Priority Satisfaction

The rights of a CPS Holder to receive Preferential Dividends and Preferential Returns in respect of a Convertible Preference Share will cease automatically once that CPS Holder has received the Priority Amount, whether by way of Preferential Dividends or Preferential Returns, in respect of that Convertible Preference Share.

8.5. CONVERSION

8.5.1. Voluntary conversion into Ordinary Shares

- (a) Each Convertible Preference Share entitles the CPS Holder to require the Company at any time to convert that Convertible Preference Share into Ordinary Shares by giving a Conversion Notice to the Company in accordance with clause 8.5.1(b) of this Section.
- (b) A Conversion Notice must:
 - (i) be in writing;
 - (ii) be duly executed by or on behalf of the CPS Holder of the relevant Convertible Preference Shares;
 - (iii) nominate the number of Convertible Preference Shares to be converted;
 - (iv) be accompanied by a share certificate (or other evidence of title reasonably acceptable to the Company) relating to at least the number of Convertible Preference Shares nominated for conversion; and
 - (v) be delivered to the registered office of the Company or to any office which the Company designates from time to time as an office for delivery of a Conversion Notice.
- (c) Subject to the Corporations Act, as soon as possible (and not later than 7 days) after the Company's receipt of a Conversion Notice, the Company must convert each Convertible Preference Share specified in the Conversion Notice to Ordinary Shares at the Conversion Rate.

8.5.2. Mandatory automatic conversion

Each Convertible Preference Share will automatically convert on the Priority Satisfaction Date in respect of that Convertible Preference Share into Ordinary Shares at the Conversion Rate.

8.5.3. No dividends, distributions until conversion has occurred

The Company must not declare, pay or make a dividend, distribution or return to Members of any kind, nor make any offer or issue of rights or securities to Members with a record date falling between the date the Company receives a Conversion Notice or the Conversion Date (whichever is applicable) and the date of the relevant conversion, being the date on which the holder of the relevant Convertible Preference Share is entered into the Register as the holder of the relevant Ordinary Shares.

8.5.4. Unpaid dividends

Conversion of a Convertible Preference Share under this clause 8.5 of this Section is without prejudice to any rights to dividends which have accrued in respect of that Convertible Preference Share, such that each ordinary Share into which a Convertible Preference Share is converted carries the same rights to receive any declared but unpaid dividends in respect of that Convertible Preference Share on a pro rata basis.

8.5.5. Fractions to be disregarded

If the total number of Ordinary Shares into which a Convertible Preference Share is to be converted under this clause 8.5 of this Section includes a fraction of an ordinary Share, that fraction will be disregarded.

8.5.6. Status after conversion

From the date of its conversion under this clause 8.5 of this Section, each ordinary Share ranks equally in all respects with the fully paid Ordinary Shares in the capital of the Company.

8.5.7. Share certificate

Within 7 days after a conversion of a Convertible Preference Share under this clause 8.5 of this Section, the Company must issue to the holder of the converted Share:

- (a) a share certificate for each ordinary Share arising from a conversion under this clause 8.5 of this Section; and
- (b) if applicable, new share certificates for any Convertible Preference Shares which were not converted into Ordinary Shares.

8.5.8. Variation not new issue

Conversion of a Convertible Preference Share under this clause 8.5 of this Section constitutes a variation of the rights attaching to that Share to reflect the then existing rights of an ordinary Share and not the cancellation of the Convertible Preference Share and the issue of a new ordinary Share.

8.5.9. Share capital reconstruction protection

If there is a reconstruction of the share capital of the Company (including without limitation a consolidation, share split, share dividend or bonus issue) each Convertible Preference Share will be contemporaneously subject to the same reconstruction such that:

- (a) each Convertible Preference Share is contemporaneously reconstructed in a manner so as to neither materially benefit nor materially prejudice the holder of the Convertible Preference Share as against any other holder of Shares as a result of the reconstruction; and
- (b) without limiting the generality of clause 8.5.9(a) of this Section the number, CP Issue Price, Conversion Rate and Priority Amount of each Convertible Preference Share is reconstructed in a manner such that each Convertible Preference Share represents the same economic interest after such action as it represented immediately prior to such action.

8.6. PARTICIPATION IN OTHER ISSUES OF SHARES

CPS Holders will have a right, as a result of holding Convertible Preference Shares, to participate in issues of any other shares or securities to holders of Ordinary Shares as if each Convertible Preference Share were converted into Ordinary Shares at the Conversion Rate immediately before that issue.

8.7. OTHER ISSUES OF PREFERENCE SHARES

Any:

- (a) issue of other preference Shares (whether or not convertible or redeemable) ranking equally or in priority to the Convertible Preference Shares

- (b) any conversion of existing Shares to Shares which rank equally or in priority to the Convertible Preference Shares;
- (c) any variation of the rights attaching to Shares such that, after that variation, those Shares rank equally or in priority to the Convertible Preference Shares;

will be deemed to be a variation or abrogation of the rights attaching to the existing Convertible Preference Shares.

8.8. TRANSFER OF CONVERTIBLE PREFERENCE SHARES

A CPS Holder may transfer some or all of the Convertible Preference Shares held by it in the same manner as any other Share may be transferred in accordance with the Constitution.

9. ADDITIONAL INFORMATION

9.1. INCORPORATION

The Company was incorporated in Australia on 18 May 2001.

9.2. 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%.

9.3. LITIGATION

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

9.4. 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 and is subject to the specific rights attaching to Convertible Preference Shares as set out in Section 8. 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 Ordinary Shareholder present at a general meeting of the Company is entitled to one vote for each Ordinary Share held, either in person or by proxy, representative or attorney.

Meetings of members

Each Ordinary 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 and to the specific rights attaching to Convertible Preference Shares as set out in Section 8, 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 at an issue price and at a time the Directors see fit, grant a person an 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 his or her 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 at a meeting of Shareholders by at least 75% of the Company's Shareholders present and entitled to vote on the resolution.

9.5. TERMS OF EXISTING OPTIONS

9.5.1. Executive Share Option Plan 2013 (ESOP) options

The Company has agreed to issue 3,000,000 options pursuant to service agreements. The options will be issued pursuant to the Executive Share Option Plan (ESOP) adopted with Shareholder approval at the Company's 2013 Annual General Meeting. The options will 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 will 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). Once issued, the options will be treated as having all vested.

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 options have not yet been issued by the Company and will not be issued prior to the Record Date.

The terms of the options 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 and Expiry date

The exercise prices and expiry dates of the options are:

Total number of options	Exercise Price	Expiry Date
1,000,000	\$0.08	30 Sept 2023
1,000,000	\$0.12	30 Sept 2023
1,000,000	\$0.20	30 Sept 2023
3,000,000		

All options will be treated as having vested once issued and will be capable of exercise by the relevant optionholder in accordance with the relevant exercise process.

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 option 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, the 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 optionholder 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.

9.6. 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	25,000
ASIC fees	2,000
Total	43,000

9.7. 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 [including Convertible Preference 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.

9.8. 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.

9.9. 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.

10. GLOSSARY


ASIC	means the Australian Securities and Investments Commission.
ASX	means the Australian Securities Exchange.
BCHT	Changchun BCHT Biotechnology Company
BDM-I	means an antimicrobial in development for the treatment of infectious diseases.
Board	means the Board or Directors of the Company.
Brezzo	means Brezzo Enterprises Ltd.
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 29 July 2016 or such other date as may be determined by the Directors.
Constitution	means the constitution of the Company.
Convertible Preference Share	means a fully paid convertible preference shares in the capital of the Company issued in accordance with Rule 4.1A of the Constitution and with the rights and entitlements set out in Section 8 of this Prospectus.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth), as amended.
CPS Holder	means the holder of a Convertible Preference Share
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 or New Zealand.
entitlement	means the number of Convertible Preference Shares that an Eligible Shareholder is entitled to subscribe for 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 Convertible Preference 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 Convertible Preference 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 or New Zealand (and therefore is not an Eligible Shareholder).
issue price	means 8.0 cents (\$0.08) per Convertible Preference 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 Convertible Preference Shares contained in this Prospectus.
Opal Biosciences	Means Opal Biosciences Limited, a subsidiary of the Company.
Ordinary Share	Means a fully paid ordinary share in the capital of the Company
Prospectus	means this Prospectus, including any supplementary or replacement prospectus.
Record Date	means 13 June 2016, 7:00 pm (Melbourne time).
Share	means a share in the capital of the Company being an Ordinary Share, Convertible Preference Share or any other share issued by 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 Convertible Preference Shares offered under this Prospectus for which the Company does not receive valid acceptances from Shareholders pursuant to their Entitlements.
SII	means the Serum Institute of India
\$, dollar or cent	is an amount in Australian currency, unless otherwise specified.

11. 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.



Julie Phillips
CEO and Director

For all enquiries:

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

Web:
 www.investorcentre.com/contact

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 Rights Issue — Entitlement and Acceptance Form

Your payment must be received by 5:00pm (AEST) Wednesday, 29 July 2016

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 form, please contact your financial or other professional adviser.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

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 a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you accept your full Entitlement, you can also apply for Additional New Convertible Preference Shares. Enter the number of New Convertible Preference Shares you wish to apply for and the amount of payment for those New Convertible Preference Shares. By making your payment you confirm that you agree to all of the terms and conditions as detailed in the replacement Prospectus dated Friday, 10 June 2016.

If by Wednesday, 13 August 2016 the subscriptions are less than \$800,000 then the subscription funds will be returned in full to applicants.

Choose one of the payment methods shown below.

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

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

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. 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 →

Entitlement and Acceptance Form with Additional Convertible Preference Shares


STEP 1

Registration Name & Offer Details

X 9999999991

I ND

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

 For your security keep your SRN/
HIN confidential.

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
Monday, 13 June 2016:

Entitlement to New Convertible Preference Shares
on a 1 for 10 basis:

Amount payable on full acceptance
at \$0.08 per New Share:

4,000

1

\$0.01

STEP 2

Make Your Payment



Bill Code: 9999
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**" and
cross "**Not Negotiable**".

Return your cheque with the below payment slip to:

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

Lodgement of Acceptance

If you are applying for New Convertible Preference Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEST) Wednesday, 29 July 2016. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Biodiem Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEST) Wednesday, 29 July 2016. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor Biodiem Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected 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. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

Biodiem Limited Acceptance Payment Details

Entitlement taken up:

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Number of Additional New Convertible
Preference Shares applied for:

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Amount enclosed at \$0.08 per New
Convertible Preference Shares:

A\$

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Payment must be received by 5:00pm (AEST) Wednesday, 29 July 2016

Contact Details

Contact

Name _____ Daytime Telephone _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
				A\$



Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

123456789123456789+0000000001-3051+14