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Announcement

Non-renounceable pro rata Entitlement Offer

Melbourne, 10 June 2016: Australian infectious disease therapy and vaccine development company BioDiem Ltd announces a pro rata non-renounceable Entitlement Offer to raise up to approximately \$1,250,000 (before costs).

- 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. (Full terms of the Convertible Preference Share can be found in Section 8 of the Replacement Prospectus).

Funds will be used to progress the next phase of commercialization 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.

Key Terms of the Offer

- 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.
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- 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 Replacement 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 Replacement 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 Proposed Timetable for the Rights Issue is as follows:

Date of this Replacement Prospectus	10 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.

Full details of the Offer and a copy of the Company's Replacement Prospectus can be downloaded from the Company's website.

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About BioDiem Ltd

BioDiem is an Australian biopharmaceutical company that is focused on developing and commercialising vaccines and infectious disease therapies. BioDiem's business model is to generate income from partnerships including with other vaccine and infectious disease treatment companies through existing and new licences to its LAIV vaccine and other technologies. Income comes from licence fees and royalties on sales.

BioDiem's lead technology is the LAIV (Live Attenuated Influenza Virus) vaccine technology used for production of seasonal and pandemic influenza vaccines and is given intranasally. This technology is licensed currently to two commercial partners, in India and China, and is licenced to the World Health Organisation as part of the Global Pandemic Influenza Action Plan to Increase Vaccine Supply. Serum Institute of India's Nasovac-S™ is based on BioDiem's technology and is already marketed in India.

BioDiem's antimicrobial technology, BDM-I, is being developed through its subsidiary, Opal Biosciences Ltd. For additional information, please visit www.biodiem.com.

About Opal Biosciences Ltd

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. Opal is currently seeking funding to support the next stage of development of our products:

- Opal-I, an injectable product, and
- Opal-T, which can be applied to the skin.

For more information, please visit www.opalbiosciences.com.