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PRO-RATA RENOUNCEABLE RIGHTS ISSUE

BioDiem Limited [ACN 096 845 993] (ASX Code: BDM) ("**the Company**") announces that it lodged a Prospectus with ASIC on 1 October 2012 in respect of a pro-rata renounceable rights issue of one (1) new share for every two (2) shares held on the Record Date at an issue price of 5 cents (\$0.05) each, together with one (1) free-attaching option for every two (2) new shares successfully subscribed for ("**the Rights Issue**"). Each new option will have an exercise price of 8 cents (\$0.08) and will expire on 31 December 2014.

The indicative timetable for the Rights Issue is as follows:

Event	Date
Announcement of pro-rata issue	28 September 2012
Lodgement of Prospectus	1 October 2012
Notice to security holders containing details of the timetable and statement that the prospectus was lodged with ASX	4 October 2012
Existing Shares quoted "ex" and Rights Trading commences	5 October 2012
Proposed record date to identify Shareholders entitled to participate in the Rights Issue (" the Record Date ")	11 October 2012
Dispatch of Prospectus	16 October 2012
Rights trading ends	26 October 2012
Closing Date	2 November 2012
Notice of Shortfall to ASX	8 November 2012
Despatch of Holding Statement	12 November 2012

*Note: The above dates should be regarded as **indicative only**. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company in consultation with the Underwriter reserves the right to change the above dates, to close the Rights Issue before the date stated above, to extend the closing date and subsequent dates, or not to proceed with the Rights Issue described in this Prospectus. Shareholders should refer to announcements to ASX by the Company on the ASX website and the Company's website for updated information about the Closing Date and timetable.*

In addition to being able to apply for their Rights Issue entitlement, eligible Shareholders also will have the opportunity to apply for additional shares and options that are not subscribed for under the Rights Issue ("Shortfall Shares and Options"). Rights Issue entitlements not taken up pursuant to the Offer or sold by the nominee on behalf of non-qualifying foreign Shareholders will form part of the Shortfall Shares and Options.

The Shortfall Shares and Options will be issued at the same price and on the same terms as the Shares and Options. Eligible Shareholders may only make an application for Shortfall Shares and Options if they accepted their maximum entitlement of Shares and Options under the Rights Issue.

Shortfall Shares and Options will only be issued if the Rights Issue is undersubscribed and will only be issued to the extent of any shortfall in subscriptions. If the Company receives applications for Shortfall Shares and Options that would result in the Rights Issue being oversubscribed, it will scale back or reject applications for Shortfall Shares and Options at the Directors' discretion in consultation with the Underwriter.

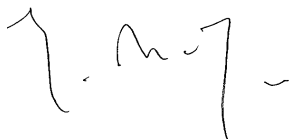
The shares offered are fully paid ordinary shares, and will rank equally with the Company's existing ordinary shares. The offer is partially underwritten by Patersons Securities Limited [ABN 69 008 896 311] [AFSL No: 239 052].

The Company will apply to ASX for quotation of the shares offered. In addition, subject to being able to satisfy any requirements imposed by the ASX Listing Rules, the Company will make an application to quote the new options that are issued on a 1:2 basis for each new share successfully subscribed for pursuant to the Rights Issue.


Offers of the Company's shares are made in the Prospectus dated 1 October 2012 which has been lodged with the Australian Securities and Investments Commission and ASX. Anyone wishing to acquire the Company's shares who is eligible to participate in the Rights Issue will need to complete an entitlement and acceptance (or application) form that will accompany the Prospectus or utilise the BPay facility. A copy of the Prospectus can be viewed on the website of ASX (www.asx.com.au) or the Company's website (www.biodiem.com) or can be requested from the Company. Before deciding to acquire shares, you should read and consider the Prospectus in its entirety and, if in any doubt, consult with your professional advisor.

A copy of the Prospectus will be sent to each eligible Shareholder.

Yours faithfully,



HUGH M MORGAN AC
Chairman



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Dear Overseas Shareholder,

PARTICIPATION IN PRO-RATA RENOUNCEABLE RIGHTS ISSUE

On 28 September 2012, BioDiem Limited ("**BioDiem**" or "**the Company**") announced a Pro-Rata Renounceable Rights Issue ("**Rights Issue**") pursuant to a prospectus dated 1 October 2012 ("**Prospectus**").

The Rights Issue under the Prospectus is a renounceable offer on the basis of one (1) new share for every two (2) shares held on the record date at an issue price of 5 cents (\$0.05) each together with one (1) free-attaching option for every two (2) new shares successfully subscribed for. Each new option will have an exercise price of 8 cents (\$0.08) and will expire on 31 December 2014.

The Rights Issue is being made to existing BioDiem shareholders registered in Australia, New Zealand and Hong Kong. The Company has determined, pursuant to Listing Rule 7.7.1(a) of the Listing Rules of ASX (the Australian Securities Exchange) ("**the Listing Rules**"), that it would be unreasonable to make offers under the Prospectus to all shareholders with addresses outside of Australia, New Zealand and Hong Kong ("**Ineligible Holders**").

Accordingly, in compliance with Listing Rule 7.7.1(b), the Company wishes to advise you that it will not be extending the Rights Issue to Ineligible Holders.

The Company has appointed Patersons Securities Ltd ("**Nominee**") on normal commercial terms, as Nominee for the Ineligible Holders. The Company advises Ineligible Holders that the Nominee will arrange the sale of the rights which would have been offered to them and, if sold, for the net proceeds to be sent to them. The Nominee will have the absolute and sole discretion to determine the timing and price at which the rights may be sold and the manner of any such sale. Neither the Company nor the Nominee will be subject to any liability to sell the rights or to sell them at a particular price.

It should be noted that it may be possible that no net proceeds will be available for distribution to Ineligible Holders after the costs of the sale have been paid by the Nominee. You will be informed in due course of the outcome of the sale of your rights.

Should you have any questions in relation to the above matters, please contact me on telephone +61 (0)3 9613 4100 or e-mail rwadley@biodiem.com.

Yours faithfully,



Richard Wadley
Company Secretary