

# **BIODIEM LIMITED**

**ABN 20 096 845 993**

## **ENTITLEMENT OFFER PROSPECTUS**

A non-renounceable pro rata Entitlement Offer of 1 new Share for every 18 Shares held at 8 cents (\$0.08) each to raise up to approximately \$447,399 before costs of the issue.

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

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

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

**The Shares offered under this Prospectus are considered speculative.**

**CORPORATE DIRECTORY**

**Directors**

Mr Hugh Morgan  
Ms Julie Phillips  
Prof. Larisa Rudenko

**Secretary**

Ms Melanie Leydin

**Registered Office**

Level 4, 100 Albert Street  
South Melbourne Victoria 3205  
Telephone: +61 3 9692 7240  
Facsimile: +61 3 9077 9233

**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 fully paid ordinary shares (“Shares”) in the Company (“the Offer”).

Shares are offered to existing shareholders resident in Australia or Hong Kong on the basis of one new Share for every 18 Shares held on the Record Date (1 for 18), rounding up fractional entitlements. The number of Shares offered to you is set out in the personalised Entitlement and Acceptance form which accompanies this Prospectus. Entitlements are not renounceable.

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

### **Date and Lodgement**

This Prospectus is dated 17 November 2015. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (“ASIC”) on that day.

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

### **Exposure period**

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 this 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 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 residents without acceptance or application forms at the Company’s website, [www.biodiem.com](http://www.biodiem.com).

### **Not investment advice**

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

In particular, you should consider the risk factors that could affect the performance of the Company as set out in section 6 of this Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional advisors including your stockbroker, solicitor, accountant or other professional advisor before deciding whether to invest in the Company.

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

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

#### **Obtaining a copy of this prospectus**

A paper copy of this Prospectus is available free of charge to any person in Australia by calling the Company (03) 9692 7240 (within Australia) or +61 3 9692 7240 (from outside Australia) between

8.30am and 5.00pm Melbourne time, Monday to Friday (excluding Victorian public holidays). This Prospectus is also available in electronic form at [www.BioDiem.com](http://www.BioDiem.com). This Prospectus is only available in electronic form to persons who confirm they are Australian residents accessing the website from Australia. Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus.

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

### **Acceptances and applications**

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

*® Registered to Bpay Pty Ltd ABN 69 079 137 518*

### **No cooling off rights**

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

### **Times and dates**

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

### **Photographs and diagrams**

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

### **Privacy**

By returning an Entitlement and Acceptance Form or general application form, or by making payment by BPay®, you are providing personal information to the Company and the Share Registrar, which has been contracted by the Company to receive and manage processing acceptances and applications. The Company and the Share Registrar (on the Company's behalf) collect, hold and use that personal information to process your acceptance or application, service your needs as an

investor, provide facilities and services that you request and carry out appropriate administration. Certain information must be collected by the Company in order for it to comply with taxation laws.

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

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

**Expiry date**

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

**Glossary**

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

## TABLE OF CONTENTS

	Page
Corporate Directory	2
Important Information	3
Key Details	8
Investment Highlights	9
Key Risks	11
Chairman's Letter	13
1. Investment Overview	16
2. Details of the Offer	24
3. Industry Overview	33
4. Business Overview	35
5. Financial Information	39
6. Risk Factors	42
7. Directors and other Key People, Interests and Benefits	47
8. Additional Information	51
9. Glossary	57
10. Authorisation and Signing	59

## KEY DETAILS

### DATES

Date of this Prospectus	17 November 2015
Expected Expiry of Exposure Period	24 November 2015
Record Date	24 November 2015 (7pm)
Prospectus sent to shareholders	27 November 2015
Offer closes (“the Closing Date”)	14 December 2015 (5pm)
Issue of Shares under the Offer	21 December 2015

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

### SUMMARY OF OFFER

Offer price per Share	8.0 cents (\$0.08)
Number of Shares on issue at the date of this Prospectus	171,096,894
Number of Shares offered	5,592,482*
Number of Shares on issue following the Offer if fully subscribed	176,689,376*
Number of options on issue <sup>^</sup>	Nil <sup>#</sup>
Proceeds of the Offer (approximate, before costs) if fully subscribed	\$447,399

*\* 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 one new Share for every eighteen Shares held as at the Record Date 7pm (Melbourne time) on 24 November 2015, at an issue price of 8.0 cents (\$0.08) per new Share.
- Two of BioDiem's major shareholders, who together represent approximately 41.35% of the company's current shareholding, have indicated their ongoing support of the Company by collectively contributing \$298,820 through private placements at the same price and ratio as this Offer prior to the opening of this entitlement offer to the balance of shareholders. Although this entitlement offer is open to these two major shareholders, they have each indicated they will not take up additional rights under this offer and therefore the overall effect is non-dilutionary for shareholders who take up their rights in full.
- Eligible Shareholders can apply for additional shares from any shortfall and thereby increase their investment in BioDiem. The major shareholders who have already subscribed for additional shares pursuant to private placements are also eligible to apply for shortfall shares.
- The next phase of BioDiem's development, being the commercialization of its technologies, mainly concerns:
  - Influenza vaccine licensing business, to support existing licencees; and
  - BDM-I – an antimicrobial in development for the treatment of infectious diseases which has been licensed to a subsidiary of BioDiem, Opal Biosciences Limited (“Opal Biosciences”).
- The proceeds of the Offer will be applied to:
  - Provide ongoing support to the Institute of Experimental Medicine in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV (live attenuated influenza virus) ‘flu vaccine technology licensees, including
    - support of the Serum Institute of India (SII) following the product launch of Nasovac-S, SII's seasonal influenza vaccine in India in July 2014, and commercialisation in SII's export markets following Nasovac-S's receipt of WHO prequalification in October 2015. BioDiem receives royalties from SII sales of the LAIV vaccine into the private sector market in India; and
    - support of Changchun BCHO Biotechnology Co (BCHO) who received approval in September 2015 to conduct clinical trials from the Chinese FDA. Clinical trial enrolment is expected to commence in December 2015. BioDiem will receive royalties from BCHO on the eventual sales of the LAIV vaccine in the private sector in China.
  - Provide ongoing support for BioDiem's new subsidiary company, 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. It is our present intention to proceed to an IPO for Opal Biosciences within 18 months to two years, subject to any alternate arrangement before then; and

- Pay the costs of the Offer, business development and working capital expenses.
- Non-shareholders resident in Australia can invest in the Company by applying for Shares from the shortfall in acceptances of the Entitlement Offer (if any).

## KEY RISKS

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

Prospective investors should read this Prospectus in its entirety before deciding whether to apply for Shares under this Prospectus. In particular, the risks described set out in section 6 commencing on page 42, 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.

<b><i>Risk area</i></b>	<b><i>Further details</i></b>
<b>Uncertainty of Research: Project Risks</b> – there is uncertainty as to the success of research and development and commercial acceptance of the Company's projects	Section 6.1
<b>Intellectual Property</b> – 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
<b>Dependence on Key Personnel</b> – 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
<b>Competition</b> – 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
<b>Commercialisation</b> – 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
<b>International Agreements</b> – 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
<b>Funding Requirements</b> – 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
<b>Dilution</b> – 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
<b>Unlisted, illiquid Shares – The Company and its securities are not listed or quoted on ASX or any other securities exchange.</b>	Section 6.9
<b>Other risks</b> of a more general nature include: <ul style="list-style-type: none"> <li>• General economic climate</li> </ul>	Section 6.10

<b><i>Risk area</i></b>	<b><i>Further details</i></b>
<ul style="list-style-type: none"><li>• Market conditions</li><li>• Government policy changes</li><li>• Foreign currency and exchange rate fluctuations</li><li>• Future performance of business activities</li></ul>	Section 6.11 Section 6.12 Section 6.13 Section 6.14

## CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the directors of BioDiem Limited, I am pleased to invite you to participate in a non-renounceable entitlement issue on the basis of 1 new Share for every 18 Shares to raise approximately \$448,000 before the costs of the Offer. The Offer provides Eligible Shareholders with the opportunity to increase their investment in the Company and participate in the next phase of its development, being the ongoing commercialisation of its technologies.

A placement has recently been completed to two of BioDiem's major shareholders under the same price and ratio to raise \$298,820. Consequently, these two major shareholders have indicated that they will not take up their entitlements under the Offer. The remaining Eligible Shareholders will now be able to subscribe for new shares under this Offer under the same price and other terms and thereby not be diluted.

Under the Offer, eligible Shareholders who were registered on the Record Date, being 24 November 2015 will be able to subscribe for one new ordinary fully paid share held for each 18 Shares held at the Record Date at a price of 8 cents (\$0.08). Eligible Shareholders (including the two major shareholders who have already subscribed for new Shares) will also be able to apply for additional Shares from any shortfall in acceptances, at the same price. The same offer to subscribe for shortfall Shares is available to non-shareholders resident in Australia.

The purpose of this Offer is to apply funds raised from the Offer to:

- Provide ongoing support to the Institute of Experimental Medicine in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees.
- Provide ongoing support for BioDiem's new subsidiary company, Opal Biosciences Ltd.
- Pay the costs of the Offer, business development and working capital expenses.

During the last year we have secured a better future financial position for BioDiem including the beginning of sales into the developing world for Nasovac-S, a seasonal flu vaccine based on BioDiem technology.

The LAIV Program Highlights were:

- Commencement of royalty income from sales of Nasovac-S in India, and income from milestone payments totaling \$179,962 (2014: \$93,398). Nasovac-S is a seasonal flu vaccine based on BioDiem's LAIV vaccine technology. Nasovac-S received WHO pre-qualification this month: an important commercial milestone.
- Progress by our Chinese licensee, Changchun BCHT Biotechnology Co, who were granted approval to start clinical trials in China.
- Publication of the Phase II children's study on the safety of the LAIV intranasal 'flu vaccine (seasonal trivalent) conducted in Bangladesh in 2012 in children aged 2-5 years. The results support the safety of the vaccine in this young age group and found no statistical difference in reports of wheezing or other post-vaccination reactions between placebo and treatment arms.

- Publication of LAIV clinical trial and other research results supporting the value of the LAIV technology including for avian influenza (bird 'flu) including H5N1, H5N2, H7N3, H1N1, H2N2 and now H7N9 subtypes.

The Antimicrobial BDM-I Program highlights were:

- The strategic assignment of our promising antimicrobial compound, BDM-I, into a newly formed company, Opal Biosciences in May 2015 for commercialization of BDM-I. Opal Biosciences is a public company and a subsidiary of BioDiem Ltd. BioDiem shareholders approved the transfer of the BDM-I technology into Opal Biosciences at a general meeting of shareholders in July 2015.
- We saw a successful application by BioDiem's collaborator, Griffith University, to the Australian Federal government for an ARC Linkage grant for \$241,564 to investigate the molecular targets for BDM-I's antimicrobial activity.
- Also we were awarded a new US patent for BDM-I for claims relating to infections of the gut, to add to those already granted for protozoal infections; vulvovaginitis, and skin and soft tissue infections. We received notification of acceptance of European grants for the same claims.
- Assoc. Prof Slade Jensen's unit at the Western Sydney University investigated further how BDM-I works against resistant bacteria.

The Company's largest shareholder, Sir David Li and also myself, as a major shareholder have participated in a \$298,820 placement priced at 8c per share. Both Sir David and myself will not participate in the entitlement issue. We are both eligible to apply for and participate in any shortfall. The effect of this is that no Eligible shareholder will be diluted by this capital raising should they take up their entitlement in full. Ineligible foreign shareholders will be diluted by this capital raising as they will not be eligible to subscribe for their entitlement or any shortfall shares.

Eligible Shareholders may also apply for additional Shares in excess of their Entitlement at the same issue price of A\$0.08 per Share. Non-shareholders resident in Australia may also apply for shortfall shares using the application form in this Prospectus.

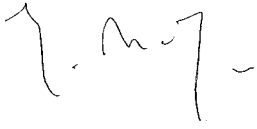
The Prospectus contains important information about the Offer, including details of the Offer, key dates, actions required by Shareholders and risk factors associated with the Offer.

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 14 December 2015.

The Directors consider that the Company has a positive future and recommend this Offer to you as an opportunity to participate in the future growth of the Company.

Yours faithfully,

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

Hugh Morgan  
Chairman

## 1. INVESTMENT OVERVIEW

### 1.1. INTRODUCTION

What does BioDiem do?

*See Section 4 on page 35 for further detail*

BioDiem Ltd is a biotechnology company based in Melbourne, Australia, that is focused on developing and commercialising vaccines and infectious disease therapies. BioDiem's core technology is the LAIV 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'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 4 on page 35 for further detail*

The Offer is being made to raise up to approximately \$447,399 (before costs of the Offer) to:

- Continue the support of the LAIV influenza vaccine technology licensing business; 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 25 & 26 for further detail*

If all the Shares offered under this Prospectus are issued, the number of Shares on issue will increase by 3.27% and BioDiem will receive approximately \$447,399 (before costs of the Offer) for application to the ongoing development and commercialisation of its vaccine and infectious disease treatment programs. This is in addition to the \$298,820 raised from the Company's largest shareholders through private placements.

The percentage shareholding in the Company of shareholders who do not take up all of their entitlements (including ineligible foreign Shareholders) will be diluted.

### 1.2. KEY FEATURES OF BIODIEM'S BUSINESS MODEL

*See Section 4 on page 35 for further detail*

How does and will BioDiem earn its income?



BioDiem's business model is to generate income from partnerships including with other vaccine development companies through existing and new licences to its LAIV vaccine and other technologies while pursuing development of its own vaccines. Income comes from licence fees and royalties on sales.

BioDiem's business model has already proven successful with payments totalling approximately \$179,962 having been received for the LAIV technology in 2015.

What are BioDiem's key strategies?

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

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

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

Where can I find further information about BioDiem?

As a disclosing entity, BioDiem makes financial and other reports, and information about significant matters, available on its website at [www.biodiem.com](http://www.biodiem.com). BioDiem's subsidiary, Opal Biosciences' website is [www.opalbiosciences.com](http://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.

### 1.3. RISKS

*See the Key Risks summary on page 11 and Section 6 Risk Factors on page 42 for further detail*

Are there risks in investing in the Company?

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

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

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

More details about risks are set out in the Key Risks summary on page 11 and Section 6, which you are encouraged to read and consider carefully.

#### 1.4. KEY FINANCIAL INFORMATION

*See Section 5 on page 39 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](http://www.biodiem.com) and can be obtained from ASIC.

When will dividends be paid?

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

#### 1.5. DIRECTORS AND KEY MANAGEMENT PERSONNEL

*See Section 7 on page 47 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).

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 26 for further detail*

The Company's two largest shareholders have participated in placements which resulted in them subscribing for new Shares in the Company at a ratio of one new Share for every 18 they previously held, at an issue price of \$0.08 per share. Consequently, following those placements, these shareholders increased their shareholding percentages in the Company as follows:

Shareholder	Holding Pre-Placement	% of Issued shares Pre-Placement	Shares subscribed for	Holding Post-Placement	% of Issued shares Post-Placement
Sir David K.P. Li	50,449,119	30.14%	2,811,750	53,260,869	31.13%
First Charnock Pty	16,570,767	9.90%	923,500	17,494,267	10.22%

Ltd <sup>^</sup>					
Sub-Total <sup>#</sup>	67,019,886	40.04%	3,735,250	70,755,136	41.35%
Other Shareholders	100,341,758	59.96%		100,341,758	58.65%

<sup>^</sup> 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.

<sup>#</sup> This sub-total does not indicate or imply any association between the two Shareholders.

Since the two largest shareholders have already been given the opportunity to subscribe for new Shares through the placements, they will not be taking up their entitlements under this Offer. As a consequence, if the Offer is fully subscribed, the two largest shareholders will hold the same percentage of Shares post-Offer as they held prior to the placements. However, if there is a shortfall and the two largest shareholders apply for shortfall Shares, their percentage shareholding may increase above the percentages they held prior to the placements pursuant to any Shortfall 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 Shares on the same basis as other Eligible shareholders, other than two of the largest shareholders who will not take up their entitlements (as they have already subscribed for new shares pursuant to private placements) but who are eligible to apply for shortfall Shares.

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

Who is the issuer of this Prospectus?

BioDiem Limited [ABN 20 096 845 993].

What is the Offer?

*See Section 2.1 on page 24 for further detail*

A non-renounceable pro rata offer of one new Share for every 18 Shares held on the Record Date (1 for 18), rounding up fractional entitlements.

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

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

*See Section 2.3 on page 24 for further detail*

The proceeds of the Offer will be applied to:

- Provide ongoing support to the IEM in St Petersburg, Russia, which provides necessary materials and expertise to our LAIV 'flu vaccine technology licensees; including
  - support of the SII following the product launch of Nasovac-S, SII's seasonal influenza vaccine in India in July 2014, and commercialisation in SII's export markets following Nasovac-S's receipt of WHO prequalification in October 2015. BioDiem receives royalties from SII sales of the LAIV vaccine into the private sector market in India; and
  - support of BCHT Biotechnology Co who received approval in September 2015 to conduct clinical trials from the Chinese FDA. Clinical trial enrolment is expected to commence in December 2015. BioDiem will receive royalties from BCHT on the eventual sales of the LAIV vaccine in the private sector in China.
- Provide ongoing support for BioDiem's new subsidiary company, 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. It is our present intention to proceed to an IPO for Opal within 18 months to two years, subject to any alternate arrangement before then; and
- Pay the costs of the Offer, business development and working capital expenses.

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

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

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

*See Section 2.5 on page 25 for further detail*

The total number of Shares that will be on issue if all Shares offered under this Prospectus are issued will be 176,689,376 Shares (subject to rounding).

Will the Shares be quoted?

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

Is the Offer underwritten?

No, the Offer is not underwritten.

What is the allocation policy?

*See Section 2.8 on page 29 for further detail*

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

If there is a shortfall, the Company has discretion regarding the allocation of shortfall Shares to applicants (whether applied for by Eligible shareholders in addition to entitlements or applied for by non-shareholders resident in Australia) and may reject an application for shortfall Shares, or allocate fewer shortfall Shares than applied for. The Company intends to allocate shortfall Shares first to existing shareholder applicants to top up any shareholders who currently hold fewer than 10,000 shares so that those shareholder applicants will hold at least 10,000 shares, second (if any shortfall Shares remain) to existing shareholder applicants pro-rata to their existing shareholdings and finally (if any shortfall Shares remain), to non-shareholder applicants pro-rata to the number of Shares specified in their application. In exercising their discretion, the Directors may scale-back any shortfall applications that would result in a shareholder being issued shares in contravention of section 606 of the Corporations Act.

Is there any brokerage, commission or stamp duty payable?

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

What are the tax implications of investing in Shares?

*See Section 2.13 on page 32 for further detail*

You will be subject to Australian taxation on any dividends paid by the Company on the Shares and also on the disposal of any Shares. The taxation consequences on any investment in Shares will depend upon each investor's particular circumstances, particularly for non-Australian tax resident shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.

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

*See Section 2.7 on page 28 for further detail*

**Eligible Shareholders** can accept their entitlement for the number of Shares set out in the personalised Entitlement and Acceptance Form. Return the completed Entitlement and Acceptance Form with a cheque for your payment to the Company or make payment by BPay®. Eligible Shareholders may also apply for additional Shares using the Entitlement and Acceptance Form or by making payment by BPay®. Details are set out in the Entitlement and Acceptance Form. Ensure your form is sent and/or payment made in time to be received by the Company's Share Registrar, Computershare Investor Services Pty Limited at the address

in the form, before 5pm on the Closing Date as acceptances or payments received after that time may not be accepted by the Company.

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

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

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

*See Section 2.8 on page 29 for further detail*

It is anticipated that written confirmation of the number of Shares to be issued to Shareholders and applicants will be despatched by post on or about 21 December 2015.

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

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

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

Ineligible foreign Shareholders will not be eligible to subscribe for their entitlement Shares or apply for shortfall shares. Consequently, their shareholding in the Company will be diluted.

What happens to ineligible foreign Shareholders' entitlements?

In respect of ineligible foreign Shareholders, those new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 18 entitlement will form part of the shortfall Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional new Shares or to non-shareholder applicants resident in Australia.

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

No. The Offer is non-renounceable so you cannot sell your entitlements. The Company's shares are not listed on ASX or any other securities exchange.

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

*See Section 2.8 on page 29 for further detail*

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

Is the Offer conditional on achieving a minimum subscription?

No – there is no minimum subscription.

What happens if the Offer is withdrawn?

*See Section 2.8 on page 29 for further detail*

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

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

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

## 2. DETAILS OF THE OFFER

### 2.1. DESCRIPTION OF THE OFFER

A non-renounceable pro rata entitlement offer of one new fully paid ordinary Share for every 18 Shares held on the Record Date, rounding up fractional entitlements, at an issue price of 8.0 cents (\$0.08) per new Share, to raise up to approximately \$447,399 before costs of the Offer.

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

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

### 2.2. ENTITLEMENT OFFER ELIGIBILITY

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

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

Ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia or Hong Kong) will not be entitled to subscribe for new Shares under this Prospectus or apply for shortfall 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 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 \$447,399 (before costs of the Offer) to:

---

	<b>Approximate allocations at:</b>	
	<b>Full subscription</b>	<b>50% Subscription</b>
Ongoing support of the commercial LAIV ('flu vaccine technology) Program including	\$175,500	\$108,000
<ul style="list-style-type: none"><li>• Our current licensees, and</li></ul>		

---



- The Institute of Experimental Medicine (IEM) which provides necessary materials and expertise to our licensees as they further commercialise the LAIV technology.

Ongoing support of Opal Biosciences Ltd to complete development and commercialisation of BDM-I	\$74,500	\$20,000
Business development (LAIV & Opal commercialisation)	\$122,000	\$20,000
Working Capital	\$35,000	\$35,000
Costs of the Offer (per Section 5.2)	\$41,000	\$41,000
<b>TOTAL</b>	<b>\$448,000</b>	<b>\$224,000</b>

In the event of a shortfall in acceptances and applications, expenditure will be targeted to the LAIV program including support of the IEM and BioDiem's existing licensees. This program is already commercial and generating revenues. Some activities in other projects of the company do not require significant expenditure and so expenditure will be directed towards patent maintenance until outlicensing is complete.

#### 2.4. UNDERWRITING

The Offer is not underwritten.

#### 2.5. CAPITAL STRUCTURE

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

##### SHARES

Existing Shares	171,096,894
Shares being offered under this Prospectus*	5,592,482
Number of Shares on issue following the Offer (assuming full subscription)*	176,689,376

*\* 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 8.5.1.

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 8.5.

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

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

<b>Shareholder (and associates, if applicable)</b>	<b>Number</b>	<b>% (of current issued Shares)</b>
Sir David K.P. Li	53,260,869	31.13%
Brezzo Enterprises (“Brezzo”)	45,119,964	26.37%
First Charnock Pty Ltd <sup>^</sup> (“Charnock”)	17,494,267	10.22%
Sub-total <sup>#</sup>	115,875,100	67.72%
Other Shareholders	55,221,794	32.28%

<sup>^</sup> 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.

<sup>#</sup> This sub-total does not indicate or imply any association between Sir David Li, 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 subscribed for Shares and increased their shareholdings through private placements. However, they will not take up their entitlements under the Offer so if all shares offered under this Prospectus are taken up and issued to other shareholders, these two shareholders’ holdings in the Company would be restored to their pre-placement percentages. As at the date of the Prospectus issue Brezzo has not participated in a private placement and is eligible to take up its entitlements under this Offer and apply for additional shortfall shares. If Brezzo does not take up its entitlement in full, Sir David Li and Charnock intend to apply for shortfall shares up to the number of shares which would have been issued to Brezzo had it taken up its entitlement in full.

The table below sets out additional shareholding information based on differing levels of take up of entitlements by Shareholders other than Sir David Li, and Charnock (and its associates). Each case (except the final row) assumes no shortfall Shares are issued. The final row of the table sets out the scenario if Brezzo and all other shareholders do not take up their entitlements and Sir David Li and Charnock are issued with the number of shortfall Shares which would have been issued to Brezzo had it taken up its entitlement.

	<b>Sir David Li</b>	<b>Brezzo</b>	<b>Charnock</b>	<b>Other Shareholders</b>
Number of new Shares which may be taken up under the Offer	-	2,506,665	-	3,085,817

	Sir David Li	Brezzo	Charnock	Other Shareholders
Total held if all new Shares which may be taken up under the Offer are taken up (including full take-up by Brezzo)	53,260,869 30.14%	47,626,629 26.96%	17,494,267 9.90%	58,307,611 33.00%
% holding following the Offer if 75% take up of the Offer by Other Shareholders (including full take-up by Brezzo)	30.28%	27.07%	9.95%	32.70%
% holding following the Offer if 50% take up of the Offer by Other Shareholders (including full take-up by Brezzo)	30.41%	27.19%	9.99%	32.41%
% holding following the Offer if 25% take up of the Offer by Other Shareholders (including full take-up by Brezzo)	30.54%	27.31%	10.03%	32.12%
% holding following the Offer if no Other Shareholders take up entitlements (including full take-up by Brezzo)	30.68%	27.43%	10.07%	31.82%
Total held if all new Shares which may be taken up under the Offer are not taken up (including no take-up by Brezzo) and Sir David Li and Charnock take up the Brezzo shortfall only	55,147,759 31.77%	45,119,964 25.99%	18,114,042 10.43%	55,221,794 31.81%

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. Examples of the impact of dilution on existing holdings where the Shareholder does not take up its entitlement if all the offered Shares are issued (including by all shortfall Shares being applied for by other Shareholders or non-shareholders) are set out below. If not all the shortfall Shares were to be issued, there would be less dilutive effect on each holding.

Shareholder (example)	Holding at the Record Date	% at the Record Date	1 for 18 entitlement under the Offer	Holding if entitlement not taken up	% of total Shares on issue after the Offer total
A	5,000	0.0029%	278	5,000	0.0028%

Shareholder (example)	Holding at the Record Date	% at the Record Date	1 for 18 entitlement under the Offer	Holding if entitlement not taken up	% of total Shares on issue after the Offer total
B	25,000	0.0146%	1,389	25,000	0.0141%
C	50,000	0.0292%	2,778	50,000	0.0283%
D	100,000	0.0585%	5,556	100,000	0.0566%
E	500,000	0.2922%	27,778	500,000	0.2830%
F	1,000,000	0.5844%	55,556	1,000,000	0.5660%

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

### **For existing Eligible shareholders:**

Acceptance of your entitlement for Shares (and applications for additional Shares from the shortfall) may only be made by returning the personalised Entitlement and Acceptance Form accompanying this Prospectus or by making payment by BPay® in accordance with the instructions in the form. Be sure your form and/or payment is received by the Company's Share Registrar by 5pm on the Closing Date, although the Directors may accept late acceptances or applications 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](mailto:mleydin@biodiem.com)

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

### **For non-shareholder applicants resident in Australia:**

Applications for shortfall Shares may be made by using the general application form attached to or accompanying this Prospectus in accordance with the instructions in the form. Payment by BPay® is only available for Non-shareholder applicants if prior arrangements are made with the Company. Non-shareholder applicants must submit a completed general application form even if arrangements for payment by BPay® are made.

### **For all applicants:**

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

An electronic copy of this Prospectus can be downloaded from [www.biodiem.com](http://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](mailto:mleydin@biodiem.com)

Unless paying by BPay®, all acceptance or application forms must be accompanied by a personal cheque or bank draft payable in Australian dollars and drawn on an Australian branch of an Australian bank for an amount equal to the number of Shares accepted and/or applied for multiplied by the price of each Share (\$0.08). 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 Shares you have applied or is more than required for the number of Shares you have applied for you will be taken to have applied for such whole number of Shares which is covered in full by your payment.

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

You must ensure that completed acceptance or application forms are received by the Company's Share Registrar by no later than 5.00 pm on the Closing Date. The Company may vary the timetable of the Offer without prior notice and independently of other parts of the Offer. The Company, the Share Registrar, 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 Shares

specified in the Entitlement and Acceptance Form or general application form on the terms and conditions described in this Prospectus.

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

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

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

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

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

This timetable of the Offer, including the anticipated date of issuing Shares is indicative only and may change without notice (including by being extended). The Company may withdraw the Offer at any time before the Shares are issued, at its discretion. If the Offer is withdrawn, all application monies will be refunded to the Shareholder or applicant promptly, without interest, in accordance with the Corporations Act.

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

## 2.9. NO LISTING

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

## 2.10. SHARE REGISTRY

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

## 2.11. HONG KONG SHAREHOLDERS AND INVESTORS

**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 and Hong Kong having regard to:

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

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

Ineligible foreign Shareholders (Shareholders whose registered addresses in the Company's register of members are not in Australia or Hong Kong) will not be entitled to be subscribe for new Shares under this Prospectus and consequently their shareholdings will be diluted.

In respect of ineligible foreign Shareholders, those new Shares that could otherwise have been issued to them had they been eligible to accept their 1 for 18 entitlement will form part of the shortfall Shares which may be issued to Eligible Shareholders who accept their entitlements and apply for additional new Shares or to non-shareholder applicants resident in Australia.

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

Shareholders holding Shares on behalf of persons who are resident outside Australia (except in Hong Kong) are responsible for ensuring that taking up the Offer does not breach regulations in the relevant overseas jurisdiction. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. Due to foreign securities law restrictions, nominees and custodians may not forward this offer document to beneficial shareholders outside Australia 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.

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

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

## 2.13. TAXATION CONSIDERATIONS

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



#### 2.14. 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.

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

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

The high standard of evidence 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 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 41,000<sup>1</sup> people, around 13,000 of which are in the pharmaceutical manufacturing sector, and is one of Australia's biggest employers of science graduates.<sup>2</sup> The Australian industry spends around \$1 billion per annum on Research and Development.<sup>3</sup>*

The Federal Government's Industry Innovation and Competitiveness Agenda report (Oct 2014)<sup>8</sup> identified five areas where Australia is globally competitive, and which the government plan to offer support. Three were in the biotechnology sector, being medical technology and biopharmaceuticals, agriculture and food, and advanced manufacturing.

*According to the 2015 Scientific American Worldview Scorecard,<sup>4</sup> which ranks the biotechnology innovation potential of 54 countries according to seven categories,<sup>9</sup> Australia ranked fourth overall, with the US, Denmark and NZ ranking 1st, 2<sup>nd</sup> and 3<sup>rd</sup> respectively.*

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 Federal Government's introduction of a research and development tax incentive is attracting global investor attention.

---

<sup>1</sup> 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](http://www.industry.gov.au/industry/IndustrySectors/PharmaceuticalsandHealthTechnologies/Pharmaceuticals/Documents/Australian_Pharmaceuticals_Industry_Data_Card.pdf)

<sup>2</sup> Medicines Australia (2013), Op. cit. pp. 21 and 9.

<sup>3</sup> Medicines Australia (2013), Op. cit. p. 4.

<sup>8</sup> [www.dpmc.gov.au/sites/default/files/publications/industry\\_innovation\\_competitiveness\\_agenda.pdf](http://www.dpmc.gov.au/sites/default/files/publications/industry_innovation_competitiveness_agenda.pdf)

<sup>4</sup> [http://www.scientificamerican.com/wv/assets/2015\\_SAWorldView.pdf](http://www.scientificamerican.com/wv/assets/2015_SAWorldView.pdf)

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

#### 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.

Two key commercial events have occurred in the past year

- the beginnings of revenue from royalties from our LAIV 'flu vaccine technology licensing business, and
- the strategic assignment of our promising antimicrobial compound, BDM-I, into Opal Biosciences.

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. Its two current commercial partners are Serum Institute of India and Changchun BCHT 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. Opal is capital raising to continue development of products: Opal-I, an injectable product, and Opal-T, which can be applied to the skin.

##### Company focus

BioDiem is focused on reduced-risk co-development of promising assets with internationally recognised partners. Each program is focused on targets with near-term potential for revenue generation. BioDiem stands to gain value from

- increased revenue from royalty income from LAIV flu vaccine sales growth and from licence fee payments from existing and new licencees; and
- successful commercialisation of BDM-I through BioDiem's subsidiary, Opal Biosciences. Opal will seek to IPO on a suitable stock exchange within 18 – 24 months subject to any commercial transaction occurring before then.

##### Company programs

BioDiem's main development programs are:

- **Influenza vaccine:** Expansion of the revenue-generating LAIV-based influenza vaccine technology licensing business;

- **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 vaccine technology licensing business.

BioDiem's core technology is the LAIV vaccine technology. It has provided the basis for partnerships with major global health organisations, and drives the licensing revenues BioDiem currently receives from its partners in India and China. The technology was developed at the Institute for Experimental Medicine (IEM), St Petersburg, Russia where it has been approved and used for over fifty years in millions of people – children, adults and the elderly. BioDiem in-licensed the technology in 2001, and maintains a strong relationship with the IEM.

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

Recent progress includes

- Commencement of royalty income from sales of Nasovac-S in India, and income from milestone payments totalling \$179,962 (2014: \$93,398). Nasovac-S is a seasonal flu vaccine based on BioDiem's LAIV vaccine technology. Nasovac-S received WHO prequalification this month: an important commercial milestone.
- In July 2014 Nasovac-S™, the Serum Institute of India's seasonal influenza vaccine was launched in India. Serum Institute is a licensee of BioDiem and previously successfully marketed the pandemic swine flu vaccine, Nasovac™, in 2011. The launch and commencement of sales of their new seasonal vaccine product marks the first such product launch based on our technology outside of Russia and the Commonwealth of Independent States. BioDiem has begun to receive modest royalties from sales of this product in the private sector market in India.
- Importantly, in October 2015, the SII formally received WHO prequalification certification of this vaccine, Nasovac-S. What does WHO prequalification mean? WHO Prequalification aims to ensure that health-related products, including vaccines, for high burden diseases, meet global standards of quality, safety and efficacy. 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, WHO prequalification 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.
- In addition, 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.
- In China, our licensee, Changchun BCHT Biotechnology Co has last month received approval to conduct clinical trials from the Chinese FDA. This is an important milestone for BCHT and also for BioDiem: clinical trials are the necessary precursors to marketing approval for product launch. Similarly here in China, BioDiem will receive royalties on the eventual sales of the LAIV vaccine in the private sector.

BioDiem currently earns revenues through licensing of LAIV influenza vaccine technology to Indian and Chinese partners and seeks further licensees. The Company notes that while it has received revenue from its LAIV influenza vaccine technology licensees, that revenue is not as yet regular or able to be estimated in advance with certainty. While the marketing of the Serum Institute of India's seasonal LAIV vaccine in India has commenced and more recently export approval given through WHO prequalification, 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 Annual Report referred to further in Section 5.3, below.

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

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

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.
- BioDiem's collaborator, Griffith University, applied successfully to the Australian Federal Government for an ARC Linkage grant for \$241,564 to investigate the molecular targets for BDM-I's antimicrobial activity.
- A new US patent for BDM-I was awarded for claims relating to infections of the gut, to add to those already granted for protozoal infections; vulvovaginitis, and skin and soft tissue infections. We also received notification of acceptance of European grants for the same claims.
- Further investigation of how BDM-I works against "superbugs" was performed by Associate Prof Slade Jensen's unit at the Ingham Institute for Applied Research and Western Sydney University, and is ongoing.
- The "Opal Biosciences takes on the Superbugs" article appeared in the Australian newspaper on 13 July 2015.

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 in recent years. BioDiem's current position in both the LAIV programs and with the opportunity presented by Opal Biosciences is highly encouraging.

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](http://www.biodiem.com) and [www.opalbiosciences.com](http://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 30 June 2015.

The financial information has been extracted from the audited financial statements for the year ending 30 June 2015. The pro-forma Balance Sheet assumes the Offer is fully subscribed (refer further below for Pro Forma adjustments) and raises \$447,399 less the estimated costs of the Offer. It also takes into account receipt of \$298,820 subsequent to 30 June 2015 in relation to a private placement to two of the Company's major shareholders at \$0.08 (8 cents) per share.

	<i>Consolidated, audited accounts</i>	<i>Post offer - proforma (consolidated)</i>
	<b>30-Jun-15</b>	<b>30-Jun-15</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	446,349	1,151,568
Trade and other receivables	13,978	13,978
Other assets	286,405	286,405
<b>Total current assets</b>	<b>746,732</b>	<b>1,451,951</b>
<b>Total non current assets</b>	-	-
<b>Total assets</b>	<b>746,732</b>	<b>1,451,951</b>
<b>Current liabilities</b>		
Trade and other payables	86,898	86,898
Employee benefits	52,691	52,691
<b>Total current liabilities</b>	<b>139,589</b>	<b>139,589</b>
<b>Non current liabilities</b>		
Employee benefits	42,358	42,358
<b>Total non current liabilities</b>	<b>42,358</b>	<b>42,358</b>
<b>Total liabilities</b>	<b>181,947</b>	<b>181,947</b>
<b>Net assets</b>	<b>564,785</b>	<b>1,270,004</b>
<b>Equity</b>		
Issued capital	31,888,425	32,634,644
Share issue costs	(1,458,626)	(1,499,626)
Share based compensation reserve	308,317	308,317
Accumulated losses	(30,173,331)	(30,173,331)
<b>Total equity</b>	<b>564,785</b>	<b>1,270,004</b>

#### 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, audited accounts statement of financial position as at 30 June 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 30 June 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, audited accounts statement of financial position as at 30 June 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 \$406,399 (gross proceeds of the Offer are \$447,399 and capital raising costs associated with the Offer are \$41,000). This is on the assumption the Offer is fully subscribed. The Company's total issued ordinary shares, assuming the Offer is fully subscribed and ignoring rounding of fractional entitlements, would be 176,689,376.

##### Pro-forma adjustment 2:

Adjustment for the receipt of \$298,820 subsequent to 30 June 2015 in relation to a private placement to two of the Company's major shareholders at \$0.08 (8 cents) per share.

##### Notes:

The Company notes that since 30 June 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:

<b>Particulars</b>	<b>Amount (\$)</b>
Share registry	16,000
Legal fees	23,000
ASIC fees	2,000
<b>Total</b>	<b>41,000</b>



### 5.3. Audited historical accounts

The audited consolidated financial statements of the Company and its controlled entities for the financial year ended 30 June 2015, being the most recent annual financial report of the Company and its controlled entities, have been lodged with ASIC. The audited financial statements contain historical financial information including the financial report, directors' report and other reports, of the type issued by Australian public companies and the auditor's report on the financial statements. The auditor's report contains a going concern emphasis of matter. The 30 June 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 2015 financial statements during the application period of this Prospectus, which the Company will provide free of charge.

## 6. RISK FACTORS

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

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

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

### ***Risks specific to the Company***

#### 6.1. Uncertainty of Research: Project Risks

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

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

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

#### 6.2. Intellectual Property

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

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

### 6.3. Dependence on Key Personnel

The Company is dependent on the principal members of its scientific and management team, the loss of whose services could materially and adversely affect the Company and might impede the achievements of its research and development objectives. Because of the specialised nature of the Company's business, the Company's ability to maintain its 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;
- 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.

#### 6.9. Unlisted, illiquid Shares

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

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

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

### **Other Risks**

#### 6.10. General Economic Climate

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

#### 6.11. Market Conditions

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

#### 6.12. Government Policy Changes

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

#### 6.13. Foreign Currency and Exchange Rate Fluctuations

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

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

#### 6.14. Future Performance of Business Activities

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

#### ***General***

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

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

## **7. DIRECTORS AND OTHER KEY PEOPLE, INTERESTS AND BENEFITS**

### **7.1. BOARD OF DIRECTORS**

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

#### **Mr Hugh Morgan AC**

Non-Executive Chairman – LLB, BCom

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

#### **Ms Julie Phillips**

Chief Executive Officer – BPharm, DHP, MSc, MBA

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

#### **Prof. Larisa Rudenko**

Non-Executive Director – MD, PhD, DSc

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

## 7.2. SECRETARY AND SENIOR MANAGEMENT

### **Ms Melanie Leydin CA**

Company Secretary – BBus, CA

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

## 7.3. INTERESTS OF DIRECTORS

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

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

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

<b>Director</b>	<b>Shares</b>	<b>Shareholding</b>	<b>Options</b>
Mr Hugh Morgan*	17,494,267	10.22%	-
Ms Julie Phillips	500,000	0.29%	- <sup>^</sup>
Prof. Larisa Rudenko	-	-	-

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

*<sup>^</sup> 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 8.5.1.*



#### 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 \$54,500 to Mr Hugh Morgan, 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.

(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 8.5.1.

(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](http://www.biodiem.com).

## **8. ADDITIONAL INFORMATION**

### **8.1. INCORPORATION**

The Company was incorporated in Australia on 18 May 2001.

### **8.2. COMPANY TAX STATUS**

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

### **8.3. LITIGATION**

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

### **8.4. CONSTITUTION AND RIGHTS ATTACHING TO SHARES**

#### **(a) Shares**

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

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

#### *Voting at a general meeting*

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

#### *Meetings of members*

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

#### *Dividends*

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

#### *Transfer of Shares*

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

### *Issues of further Shares*

The allotment and issue of Shares is under the control of the Directors. Subject to the Corporations Act, the Directors may issue shares (including ordinary shares, preference shares and redeemable preference shares) to any persons 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.

### 8.5. TERMS OF EXISTING OPTIONS

#### **8.5.1. 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:

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

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.

#### 8.6. EXPENSES OF THE OFFER

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

<b>Particulars</b>	<b>Amount (\$)</b>
Share registry	16,000
Legal fees	23,000
ASIC fees	2,000
<b>Total</b>	<b>41,000</b>

#### 8.7. INTERESTS OF NAMED PERSONS

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

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

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

#### 8.8. CONSENTS

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

#### 8.9. ENQUIRIES

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



## 9. GLOSSARY


<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means the Australian Securities Exchange.
<b>BCHT</b>	Changchun BCHT Biotechnology Company
<b>BDM-I</b>	means an antimicrobial in development for the treatment of infectious diseases.
<b>BDM-L</b>	means a liver disease-targeting technology platform.
<b>Board</b>	means the Board or Directors of the Company.
<b>Brezzo</b>	Means Brezzo Enterprises Ltd.
<b>Charnock</b>	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.
<b>Company or BioDiem</b>	means BioDiem Limited [ABN 20 096 845 993].
<b>Closing Date</b>	means 5:00 pm (Melbourne, Victoria time) on 14 December 2015 or such other date as may be determined by the Directors.
<b>Constitution</b>	means the constitution of the Company.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth), as amended.
<b>Director</b>	means a Director of the Company, unless otherwise specified.
<b>Eligible Shareholder</b>	means a Shareholder at the Record Date, whose registered address in the Company's register of members is in Australia or Hong Kong.
<b>entitlement</b>	means the number of new Shares that an Eligible Shareholder is entitled to subscribe for under the Entitlement Offer (on a 1 for 18 basis).
<b>Entitlement and Acceptance Form</b>	means the personalised entitlement and acceptance form accompanying this Prospectus.
<b>Entitlement Offer</b>	means the one for eighteen non-renounceable entitlement offer of new Shares made in this Prospectus.
<b>ESOP</b>	means the Company's Executive Share Option Plan adopted at the 2013 Annual General Meeting.
<b>Exposure Period</b>	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.
<b>general application form</b>	means an application form for new Shares from the Shortfall attached to or accompanying this Prospectus.
<b>IEM</b>	means the Institute of Experimental Medicine in St Petersburg, Russia.
<b>ineligible foreign</b>	means a Shareholder whose registered address in the Company's register of

<b>Shareholder</b>	members is not in Australia or Hong Kong (and therefore is not an Eligible Shareholder).
<b>issue price</b>	means 8.0 cents (\$0.08) per new Share.
<b>LAIV</b>	means the live attenuated influenza vaccine technology licensed to BioDiem from the IEM.
<b>Option</b>	means an option to acquire a Share.
<b>Offer</b>	means the offer of Shares contained in this Prospectus.
<b>Prospectus</b>	means this Prospectus, including any supplementary or replacement prospectus.
<b>Record Date</b>	means 24 November 2015, 7:00 pm (Melbourne time).
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a person registered as the holder of a Share.
<b>Share Registrar</b>	Computershare Investor Services Pty Limited [ABN 48 078 279 277].
<b>Shortfall</b>	means the number of new Shares for which the Company does not receive valid acceptances.
<b>SII</b>	means the Serum Institute of India
<b>\$, dollar or cent</b>	is an amount in Australian currency, unless otherwise specified.

**10. AUTHORISATION & SIGNING**

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

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

A handwritten signature in black ink, appearing to read 'Melanie Leydin', with a long horizontal flourish extending to the right.

MELANIE LEYDIN

Company Secretary