



BIODIEM LTD
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6 September, 2013

Dear Shareholders,

As has been announced, the Board of BioDiem Ltd has come to the view that the Company should de-list from the Australian Securities Exchange (ASX) to become an unlisted public company. We see a strong future for the Company. Following delisting we intend to continue to keep our shareholders informed of our progress and news via email, newsletters and our website.

This important resolution will be put to the vote at BioDiem's Annual General Meeting on 8 October 2013. The resolution to de-list from the ASX is included in the Notice of Meeting and Explanatory Memorandum.

I would like to take this opportunity to share with you the important factors we considered ahead of arriving at this decision.

Rather than being a retrograde step, as de-listing may superficially appear, the Board and I believe this is an important move forward from today's position in which the potential of our maturing portfolio is not being recognised by the market.

This under-valuing of the Company's assets is not the sole contributing factor, and it should be viewed alongside others which support de-listing.

The company has sought to ensure the work of its management is fully appreciated through the market price of its listed securities but regrettably, the board is of the opinion this has not eventuated. The low turnover, low price and low capitalisation of the company has as a consequence been a burden upon the commercial and financial ambitions of the company. As a delisted public company, there will be a greater focus upon the underlying assets under the company's control rather than focus on the listed share price. We believe this will be to shareholders' advantage and in addition incur reduced overhead costs following the delisting.

The company has publicised widely its engagement with the presentation of the LAIV to the market. Having been endorsed by the WHO through our licence to it for marketing to the Less Developed Countries, many millions of dollars have been spent by its sub-licenceses in India and China in preparation for approval and production of the vaccine to enter these and other country markets. This is a very significant statement of acceptance of the LAIV product and importantly their belief in being able to make sales, penetrations of the market upon which your company will receive a royalty stream from private sales. On present indications, these royalty payments if all final approvals are received may well commence in the 2015/2016 year.

The Board's confidence in our portfolio of products could not be stronger. Our seasonal and pandemic flu vaccines are being commercialised in multiple countries and are positioned strongly for future revenues as regulatory approval is obtained in various jurisdictions.

We have one of the strongest third party-validated portfolios in the sector, with commercial and research partnerships with luminary international groups including the World Health Organisation (WHO), the Serum Institute of India, the US Military, our Chinese Partner BCHT, US Centres of Disease Control, US National Institutes of Health, and Vivalis amongst others.

Our vaccine development platform and programs to target infectious diseases such as hepatitis are progressing well, as is the growing body of research evidence for our antimicrobial compound, BDM-I. In an environment where healthcare investors are commonly exposed to binary investment opportunities, we believe BioDiem represents a strong and diverse investment profile with *many shots on goal*.

Despite the large scale of the opportunity, we remain a small company by value and this has hindered our ability to attract the type of investment opportunities we need to allow us to advance our portfolio rapidly. However, we are also in a unique position in that our capital needs are modest. We are moving toward a position when it is expected our licensing fees will cover our ongoing development requirements.

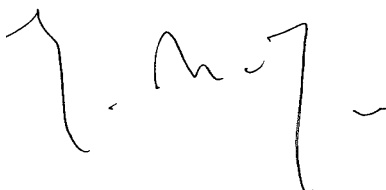
This position of self-sustainability is an important company milestone and while we are not there yet, there is a reasonable expectation of self-sustainability being achieved.

On a macro level, you will be aware that the capital markets have been volatile over the last four years and, more specifically, in our sector there have been a number of high-profile failures and disappointments.

These factors combine to make a compelling case for de-listing, and the Board and I are confident that this is the right decision at the right time. We strongly believe it is in the best interest of all shareholders to move forward as an unlisted public company.

We understand you may have questions and we encourage you to call us to discuss.

Yours sincerely,

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

Hugh Morgan
Chairman