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ASX Announcement

Chairman's Address to Annual General Meeting

Melbourne, 8 October 2013

Welcome to the BioDiem Annual General Meeting. This last year has seen us make good progress across all areas of our product development portfolio. Our focus on the opportunities represented within the infectious diseases and vaccines markets is rendering benefits which are reflected in the calibre of our partners and measured by the milestones reached within each of our plans and the growth of our intellectual property portfolio.

Our goal is to realise this progress as a financial benefit for each of our shareholders. To this end your Board has put before you at today's meeting, the resolution to delist the company from the Australian Stock Exchange. This is an important event for any company, and we believe it will deliver to each of our shareholders the opportunity to share in the value within the company at present. Your Board believes that the company's current ASX share price significantly understates the company's true value despite the stream of positive news flow over the past two years. As we move towards commercial negotiations for more of our technologies, this ongoing situation could be detrimental to our positioning. It is clear that we are not deriving the value we would normally expect from being listed, and it is working against us. Our reasons have been put before you in the Notice of Meeting and I will say more of this before presenting the resolution to the meeting.

Nevertheless we have great expectations about the future of BioDiem and all the major shareholders remain supportive of the company.

This afternoon I will give you a brief overview of the key events of the 2013 year before handing over to our CEO Julie Phillips.

I am pleased to report to you:

- the successful closure of a $2m capital raising at the end of 2012;
- the submission of a marketing application by our Indian licensee, Serum Institute, to the Indian regulatory authorities, for their seasonal influenza vaccine. This is an important step towards international export of their LAIV-based flu vaccines. BioDiem receives royalties on sales of the LAIV vaccine in the private sector;
- the commencement of building of a manufacturing facility by our Chinese licensee, Changchun BCHT Biotech. BCHT has also submitted a clinical trial application to the Chinese FDA for the LAIV seasonal vaccine product. Clinical trials are the precursors to marketing approval. Similarly here, BioDiem will receive royalties on sales of the LAIV vaccine in the private sector;
- for our antimicrobial, BDM-I, the extension towards animal studies to show efficacy in four different infectious disease models. A positive result in any one disease model will be a significant milestone for BDM-I because all of the disease areas are hard-to-treat infections;
- the commencement of a partnership with Griffith University to create new variants of BDM-I to expand its commercial application;
- securing of additional patents for BDM-I in all of the world's major markets;
- for our newly acquired therapeutic hepatitis vaccine program, the demonstration of proof-of-principle. This opens up the possibility of targeting liver disease directly so reducing side effects of non-targeted treatment; and
- successful results from our partnership with French vaccine developer, Valneva (previously Vivalis) in our LAIV vector project.

It is a lot of progress for a small Australian biotechnology company and it is in part due to our high quality biotech assets, but also due to our high calibre partner network.

The foremost of our partners is the Institute of Experimental Medicine in St Petersburg, represented on the BioDiem board of directors by Prof Larisa Rudenko. Prof Rudenko and her department in St Petersburg co-ordinate the LAIV influenza program internationally and manage our relationships with the World Health Organisation and the Centres of Disease Control

in Atlanta. It is through the WHO and Prof Rudenko that use of the LAIV intranasal flu vaccine, our lead technology, is becoming more widespread and its advantages over standard inactivated influenza vaccines are becoming better known.

I would again wish to acknowledge the seminal contribution of Professor Rudenko to the advancement of the LAIV program. Few recognise the important role she plays in the international fora of vaccine technologies and in particular that of the development of flu vaccines. She is a remarkable professional, is widely respected in the major institutions that oversee the world's flu vaccine protocols and has achieved outstanding outcomes on behalf of the Institute of Experimental Medicine from which we derive out LAIV licence.

In regard to our lead technology, the LAIV, I have to be very explicit in making it clear that the combined investment by our licensees, the SII and BCHT, both private sector enterprises, in advancing the LAIV into the market place would reasonably be concluded to be many times the present ASX market capital valuation of your own company. Those investments indicate that each enterprise sees a marketing opportunity which presumably has to return a reward for their investments. We do not know what those projections are but such investments do suggest in a very elementary way, a confidence in being able to market a substantial volume of vaccine all of which, if to the private market, carries with it a royalty entitlement to your company.

So I place on the screen a photo of the latest progress of the construction of the BCHT building within which the LAIV is to be produced. Clearly investment of this nature is a multimillion dollar commitment. The cost to our licensees of conducting clinical trials and purchasing equipment, as distinct from the cost of the building, is another large sum, maybe in the order of $30m. This commitment would not be taken lightly and demonstrates confidence not recognised in our share price. It is therefore our view that it is in the interests of shareholders in these circumstances to put as much distance between the present share price and our commercial negotiations in the future.

Beyond the LAIV program, we have many other valuable assets and strong partnerships in the company. For our antimicrobial program, BDM-I, we have been able to engage in infectious disease programs under the US Army Medical Research Institutes and also the US National Institutes of Health. We are most grateful for the opportunity this affords us to demonstrate the applicability of BDM-I in the treatment of hard-to-treat infections.

Locally, we have valuable relationships with many Australian research institutes and universities who are conducting work on our technologies. This had led to the development of new intellectual property which is owned by BioDiem.

Our commercial partnerships are also highly important to us, and they offer ways to extend commercial possibilities for our projects with groups with whom we have already a successfully ongoing relationship.

We are heartened by the increasing interest in our technologies by commercial parties who are watching our delivery of results achieved with significant support from this international partner network.

Our plan is to progress along the commercial path with all our projects led by our existing revenue-generating business division of the LAIV vaccine technology. The timing of further income flows from both India and China is dependent on the respective regulatory authorities of those countries and market conditions.

The progress of the company has been pleasing and has occurred in the context of tight cost constraint. We will continue to manage our expenditure carefully while cost-effectively promoting our technologies along the path to becoming sources of revenue for the company.

Our CEO's presentation will outline more information about progress with BioDiem's projects.

The company continues to be highly energised. I would like to thank the board and staff for their dedication and progress over the past year. In particular I would like to thank our CEO, Julie Phillips, for providing the leadership during this formative last 12 months. We continue to be deeply appreciative of our major shareholders' loyalty and significant support. They have supported the company through the past two rights issues and have indicated their agreement to continue with their support.

As a major shareholder of BioDiem myself, I am very pleased with our position and for the support of directors and staff to get us here. I look forward to further progress in the coming year.

Our focus will be to move our programs towards commercial milestones for the benefit of all shareholders. We look forward to delivering more significant progress in the coming year.

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