

# BIODIEM LIMITED

[ABN 20 096 845 993]

## PROSPECTUS

A renounceable pro-rata rights issue of 1 new share for every 2 shares held at 5 cents (\$0.05) each, together with 1 free-attaching option for every 2 new shares issued, exercisable at 8 cents (\$0.08) and expiring on 31 December 2014 to raise up to approximately \$2.552 million before costs of the issue.

Non-Shareholders and Shareholders eligible to participate in the rights issue may also apply for additional shares and options which are not subscribed (shortfall).

An offer under the shortfall facility of Shortfall Shares plus 1 Attaching Option for every 2 Shortfall Shares issued.

The Offer is partially underwritten by Patersons Securities Limited. Refer to section 2.4 for details.

The Rights Issue closes at 5.00pm Melbourne time on Friday 2 November 2012.

### **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.

This Prospectus ("Prospectus") is dated 1 October 2012. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on the same date. Neither ASIC nor ASX Limited ("ASX") nor their respective officers take any responsibility as to the contents of this Prospectus.

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

## CORPORATE DIRECTORY

### Directors

Mr Hugh Morgan  
Ms Julie Phillips  
Mr Don Brooks  
Prof. Arthur Li  
Prof. Larisa Rudenko

### Secretary

Mr Richard Wadley

### Registered Office

Level 10, South Tower  
459 Collins Street  
Melbourne VIC 3000  
Telephone: +61 3 9613 4100  
Facsimile: +61 3 9613 4111

### Share Registry

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)

### ASX Code

BDM

## PROPOSED TIMETABLE

Announcement of pro-rata issue	28 September 2012
Lodgement of Prospectus	1 October 2012
Notice to security holders containing details of timetable and statement that Prospectus lodged with ASX	4 October 2012
Existing Shares quoted ex rights ('XR'). Rights trading commences	5 October 2012
Proposed record date to identify Shareholders entitled to participation in the Rights Issue ("the Record Date")	11 October 2012
Despatch of Prospectus	16 October 2012
Rights trading ends	26 October 2012
Closing Date	2 November 2012
Notice of shortfall to ASX	8 November 2012
Despatch date of holding statements	12 November 2012

*The above dates should be regarded as **indicative only**. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company reserves the right to change the above dates, to close the Offer before the date stated above, to extend the Closing Date and subsequent dates, or not to proceed with the Offer described in this Prospectus.*

*No securities will be issued on the basis of this Prospectus after 1 November 2013, being the expiry date of this Prospectus.*

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### KEY INVESTMENT RISKS - SUMMARY

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 4 commencing on page 7, 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>Risk area</b>	<b>Further details</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 4.1(A)
<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 4.1(B)
<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 4.1(C)
<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 4.1(D)
<b>Commercialisation</b> – the Company cannot assure that licences of technology will be obtained or if, obtainable, will be on commercially acceptable terms	Section 4.1(E)
<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 4.1(F)
<b>Funding Requirements</b> – there can be no assurance that future funding will be available	Section 4.1(G)
<b>Options</b> – options issued under this Prospectus may not be admitted to official quotation	Section 4.1(H)
<b>Dilution</b> – the shareholding in the Company of shareholders who do not take up their entitlements pursuant to the Rights Issue will be diluted	Section 4.1(I)
<b>Take up of offer by certain Major Shareholders</b> – If certain shareholders, collectively holding approximately 60% of the Company’s current issued shares, do not take up their entitlements under the Rights Issue the Offer will not proceed. The Underwriter’s obligations are conditional upon these entitlements being taken up and the Offer proceeding.	Section 2.4
<b>Other risks</b> of a more general nature include: <ul style="list-style-type: none"> <li>• General economic climate</li> <li>• Market conditions</li> <li>• Government policy changes</li> <li>• Foreign currency and exchange rate fluctuations</li> <li>• Future funding requirements</li> <li>• Future performance of business activities</li> <li>• Security investments</li> </ul>	Section 4.2(A) Section 4.2(B) Section 4.2(C) Section 4.2(D) Section 4.2(E) Section 4.2(F) Section 4.2(G)

## 1. Chairman's Letter

Dear Shareholder,

On behalf of the directors of BioDiem Limited ("the Company"), I am pleased to invite you to participate in a pro rata renounceable rights issue on the basis of 1 new Share for every 2 Shares held at an issue price of \$0.05 per Share, together with 1 free-attaching Option for every 2 new Shares issued, to raise approximately \$2,552,000. The Options are exercisable at \$0.08 on or before 31 December 2014.

The Rights Issue provides Eligible Shareholders with the opportunity to increase their investment in the Company at an attractive price and participate in the next phase of development of the Company. The issue price represents a 19% discount to the volume weighted average market price of the Company's Shares for the five (5) trading days to 24th September 2012 (being the last trading day prior to announcement of the Rights Issue) of \$0.062 per Share.

The Company has made significant progress since its strategic re-positioning earlier this year in targeting high value opportunities for its vaccine and infectious disease technologies. Recent progress by the Company includes:

- successful results from two programs of work by our French partner VIVALIS, confirming growth of BioDiem's LAIV virus in VIVALIS' proprietary EB66<sup>R</sup> cell line. The results are significant as both the virus and the cell line have been used to produce vaccines that have been tested in successful Phase II clinical trials;
- strengthening BDM-I's patent position and expanding its research and development targeting multiple serious bacterial, fungal and parasitic infections including "golden staph", malaria, trichomoniasis, and schistosomiasis;
- revenues received from both the launch of the Nasovac<sup>TM</sup> influenza vaccine by the Serum Institute of India and a new licence for our vaccine technology in China through a new partner, BCHT Biotechnology Company; and
- presentation of positive results from studies of our BDM-E eye disease drug for the treatment of the inherited degenerative eye disease, disorder retinitis pigmentosa.

The Company's two largest shareholders, Brezzo Enterprises Ltd and Sir David Li, have both indicated that they will take up their rights in full by way of sub-underwriting the rights offer. As the third largest shareholder, a company associated with me, will also take up its rights in full. This accounts for approximately \$1.5 million of the approximately \$2.5 million sought for this raising. If these entitlements are not taken up the Offer will not proceed and no shares or options will be issued to applicants. All application moneys received will be refunded to applicants in full without interest. In total, the Rights Issue is partially underwritten to \$2.0 million by Patersons Securities Limited. The Underwriter's obligations are conditional upon these entitlements being taken up and the Offer proceeding. For details, please refer to section 2.4 of this Prospectus.

The Company intends to apply the net funds raised from the Rights Issue to continue development of the Company's technologies targeting infectious diseases and specific cancers, and for general working capital.

Shareholders may also apply for additional shares in excess of their Entitlement at the same issue price of \$0.05 per share. Non-shareholders may also apply for Shortfall Shares and Options using the non-shareholder application form in or accompanying this Prospectus.

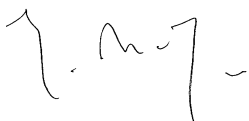
This Prospectus contains important information about the Rights Issue, including details of the Rights Issue, key dates, actions required by Shareholders and risk factors associated with the Rights Issue.

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 Rights Issue, you should consult your stockbroker or other professional advisor.

Shareholders who have any queries about the Rights Issue can contact the Company at any time from 9.00am to 5:00pm (Melbourne time) during the Offer period. The Rights Issue closes at 5.00pm on Friday 2 November 2012.

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

Yours faithfully,



Hugh Morgan  
Chairman

## **2. Details of the Offer**

### **2.1 Pro-Rata Entitlement**

BioDiem Limited ("the Company" or "BioDiem") offers its shareholders, as recorded on the share registry records on the Record Date and who are otherwise eligible to accept the offer made under this Prospectus (each an "Eligible Shareholder"), the right to participate in a renounceable rights issue of 1 new fully paid ordinary share for every 2 ordinary shares held at the Record Date at an issue price of 5 cents (\$0.05) each ("Share"), together with free attaching options issued on the basis of 1 option for every 2 new Shares issued ("the Rights Issue"). Each free attaching option will have an exercise price of 8 cents (\$0.08) and will expire on 31 December 2014 (each an "Option").

Fractional entitlements to Shares and Options will be rounded up.

### **2.2 Additional Shares**

In addition to being able to apply for their Rights Issue Entitlement in the manner described in this Prospectus, Eligible Shareholders also will have the opportunity to apply for additional Shares and Options that are not subscribed for under the Rights Issue ("Shortfall Shares and Options"). Rights Issue Entitlements not taken up pursuant to the Offer or sold by the nominee on behalf of Non-qualifying Foreign Shareholders will form part of the Shortfall Shares and Options.

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

Shortfall Shares and Options will only be issued if the Rights Issue is undersubscribed and will only be issued to the extent of any shortfall in subscriptions. The Company will not accept oversubscriptions if the Company receives applications for Shortfall Shares and Options that would result in the Rights Issue being oversubscribed, and may scale back or reject applications for Shortfall Shares and Options at the Directors' discretion in consultation with the Underwriter. All application monies received but not applied towards subscriptions will be refunded to the applicant without interest as soon as practicable. No Shortfall Shares or Options will be issued to related parties of the Company (including Directors), or issued to an applicant if to do so would 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 2001 (Cth) ("the Corporations Act").

Non-shareholders in the Company may also apply for Shortfall Shares and Options by completing a Non-Shareholder Application Form attached to or accompanying this Prospectus and returning it, together with payment by the Closing date according to the instructions on the form.

As further described in section 2.4 below, the Company has agreed to issue to the Underwriter or its nominee(s) up to 25,523,888 Options ("Underwriter Options").

The Rights Issue, the issue of Underwriter Options and the offer of Shortfall Shares and Options are collectively referred to as "the Offer".

### **2.3 Rights Trading**

Entitlements to Shares pursuant to the Offer are renounceable and accordingly, rights may be traded on ASX. Details on how to sell your rights are set out in section 7.2 below.

### **2.4 Major Shareholders' Commitments and Underwriting of Rights Issue**

Patersons Securities Limited [ABN 69 008 896 311] [AFSL 239 052] ("the Underwriter") has agreed to partially underwrite the shortfall in subscriptions under the Offer, up to \$2,000,000.

The Offer, and the Underwriter's obligations, are conditional upon among other things as described in section 8 of this Prospectus certain shareholders who collectively hold 60% of the Company's issued shares ("Major Shareholders") taking up their entitlements under the Rights Issue. The Major Shareholders have agreed to take up their entitlements by way of sub-underwriting \$1,536,144 approximately 60% of the Offer. The amounts sub-underwritten by each

Major Shareholders are set out in section 8 of this Prospectus. Major Shareholders may take up their entitlements and satisfy their sub-underwriting obligations by accepting their respective entitlement, subscribing for their sub-underwritten Shares at the time other sub-underwriters' subscriptions are due, or (before other sub-underwriters' subscriptions are due) purchasing Shares from the Underwriter as the nominee appointed to sell Non-qualifying Foreign Shareholders' entitlements (as described in section 14.1) provided that the amount paid for the Shares is not less than the Offer price of 5 cents (\$0.05).

If the Major Shareholders do not take up their entitlements under the Offer, the Offer will not proceed, no Shares or Options will be issued, and all application monies received will be refunded to applicants in full without interest.

The Underwriter may also terminate its agreement to underwrite the Offer in the event that one or more of the events summarised in section 8 of this Prospectus occur. If the Underwriter terminates its agreement to underwrite the Offer, no Shares or Options will be issued, and all application monies received will be refunded to applicants in full without interest.

As consideration for managing and underwriting the Offer, the Underwriter will receive fees or commissions of up to \$153,143, being 6% of the total amount of the Offer. The Underwriter may pay fees to sub-underwriters in connection with their agreement to sub-underwrite the Offer. The payment of any such fees, including the fees payable to the Major Shareholders, will be the obligation of the Underwriter and not the Company.

Under the terms of the Underwriting Agreement, the Company has agreed to issue up to 25,523,888 Options to the Underwriter (or its nominees) on the same terms as the Options issued under the Rights Issue ("Underwriter Options") as part of the consideration for the underwriting of the Rights Issue. The offer of Underwriter Options is a separate offer made under this Prospectus.

The Underwriter will pay a sub-underwriting fee of 4% on the pre-commitment by the Major Shareholders to sub-underwrite the Offer. First Charnock Pty Ltd ACN 004 554 349 ("First Charnock") a company associated with a director of the Company, Mr Hugh Morgan, is a Major Shareholder which has agreed to act as a sub-underwriter of the Rights Issue in respect of the entitlements of companies associated with Mr Morgan. First Charnock is a related party of the Company. The payment of fees of \$9,459 to First Charnock will be on the same terms as fees are paid on the pre-commitment by the other Major Shareholders who are not related parties of the Company. The issue of 2,364,932 Underwriter Options (described below) to First Charnock is subject to shareholder approval, which will be sought at the Company's forthcoming 2012 Annual General Meeting, and is otherwise on the same terms as Underwriter Options are to be issued to other Major Shareholders who are not related parties of the Company. Obtaining shareholder approval to issue those Underwriter Options is not a condition of the Rights Issue. The fair value of the 2,364,932 Underwriter Options calculated as at the date of the announcement of the Rights Issue using a Black-Scholes methodology is \$59,042 (\$0.0250 per Underwriter Option), using a share price of \$0.062 (the closing price on 24th September 2012, being the last trading day prior to announcement of the Rights Issue), time to maturity of 2.25 years, an estimated volatility of 80.12% and a risk free rate of 3.28%.

The grant of up to 298,568 Underwriter Options (excluding Underwriter Options to be issued to First Charnock) may require shareholder approval under Chapter 7 of the Listing Rules. The Company intends to seek that approval at the Annual General Meeting of the Company's shareholders anticipated to be held in November 2012. If approval is required, the Company intends, on the issue and allotment date proposed under this Prospectus, to grant as many Underwriter Options as it is permitted without shareholder approval and, if the grant of the balance of the Underwriter Options is approved, grant the balance shortly after the approval is given. Obtaining shareholder approval to issue those Underwriter Options is not a condition of the Rights Issue. No Underwriter Options will be issued to First Charnock without shareholder approval, as referred to above.

As at the date of this Prospectus, the Underwriter has entered into sub-underwriting agreements with sub-underwriters (including the Major Shareholders) for subscriptions for to the underwritten amount of \$2,000,000 of the Shortfall Shares not otherwise taken up. Assuming that the sub-underwriters take up their sub-underwriting commitments, the Underwriter will not be required to subscribe for any Shortfall Shares.

## **2.5 Minimum Subscription**

The minimum subscription amount for the Rights Issue is the underwritten amount, being \$2 million (40 million Shares and 20 million free attaching Options) ("the Minimum Subscription"). Shares issued in response to applications for Shortfall Shares and Options are included in determining whether the Minimum Subscription has been achieved, and

there is no separate minimum for the offer of Shortfall Shares and Options. There is no minimum subscription for the offer of Underwriter Options.

## 2.6 ASX Listing

The Company will, within seven days of the date of this Prospectus, apply to ASX for admission of the Shares and Options to official quotation. Official quotation of Options will be conditional upon there being a sufficient number of holders of the Options to satisfy the requirements of ASX for the creation of a new class of listed security. No application monies will be repaid if the Options offered under this Prospectus are not admitted to official quotation.

If ASX does not grant permission for the Official Quotation of the Shares within three months after the date of issue of this Prospectus (or such period as is permitted by the Corporations Act, the Company), in its absolute discretion, will either repay the application monies to applicants without interest or (subject to any necessary ASIC or ASX waivers or consents being obtained) issue a supplementary or replacement Prospectus and allow applicants one month to withdraw their applications and be repaid their application monies without interest.

## 2.7 Placements after Closing Date

The Board also reserves the right to issue any Shortfall Shares and Options which are not subscribed for by Eligible Shareholders or Non-Shareholder Applicants at their discretion within 3 months after the Closing Date.

## 3. Purpose of the Offer

Funds raised by the Offer will be used to continue development of the Company's portfolio of vaccine and antimicrobial therapies targeting infectious diseases and to pursue additional business development opportunities, as detailed below:

	Minimum Subscription \$	Full Subscription \$
Continued development of BDM-I towards use in infectious disease applications, where new treatments are needed including for Golden Staph and Aspergillus infections	267,000	449,500
Proceeding to the next stage of the Hepatitis D/B program to work towards developing a treatment vaccine for Hepatitis D and Hepatitis B	413,100	413,100
Development of the LAIV Vector technology towards obtaining proof-of-concept	300,700	486,000
Finalisation of the BDM-E data package for sale or outlicence	87,500	87,500
Ongoing support of the IEM which provides necessary materials and expertise to the Company's LAIV Vaccine licensees	390,500	390,500
General Working Capital	363,500	513,645
Costs of the Offer (see section 6.3)	177,700	212,143
<b>TOTAL</b>	<b>2,000,000</b>	<b>2,552,388</b>

## 4. Risks

The Company's activities, as in any business, are subject to risks which may impact the Company's future performance. The following is a summary of the more material matters to be considered and should be read in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements. The



summary below is not exhaustive, rather represents some of the major risk factors which you need to be aware of in evaluating the Company's business and the risks of increasing your investment in the Company. You should examine the contents of this Prospectus in its entirety and consult your professional advisor before deciding whether to apply for Shares and Options.

#### **4.1 Company Specific Risks**

##### **(A) 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").

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.

##### **(B) 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 BioDiem 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.

##### **(C) 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 BioDiem's business, BioDiem's ability to effectively maintain its program 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 prospectus 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.

##### **(D) 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.

(E) Commercialisation

The commercialisation of technology developed by the Company could require the licencing 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.

(F) 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, BioDiem 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.

(G) 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. 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.

(H) Options

As noted in section 2.6 of this Prospectus, official quotation of Options will be conditional upon there being a sufficient number of holders of the Options to satisfy the requirements of ASX for the creation of a new class of listed security. No application monies will be repaid if the Options offered under this Prospectus are not admitted to official quotation. If the Options are not admitted to official quotation there will be no ready market in which to offer the Options for sale.

No guarantee can be given that the Company's share price will be greater than the exercise price of the Options during the period up to the expiry of the Options on 31 December 2014. Accordingly, there is a risk that the Options will be out of the money during the exercise period, which would affect the value of the Options.

(I) Dilution

The percentage shareholding in the Company of shareholders who do not take up all of their rights pursuant to the Rights Issue will be diluted.

(J) Take up of offer by Major Shareholders

The Offer and the Underwriter's obligations are conditional upon the Company's Major Shareholders (as defined above in section 2.4), taking up their entitlements under the Rights Issue. These shareholders will take up their entitlements by way of sub-underwriting \$1,536,144 of the Offer. If the Major Shareholders do not take up their entitlements under the Offer or subscribe for their sub-underwriting commitment, the Offer will not proceed, shares and options will be issued and all applications monies received will be refunded to applicants in full without interest.

## 4.2 Other Risks

(A) 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.

(B) Market Conditions

The market price of the Company's securities may be subject to a variety of unpredictable influences on the market for equities in general and 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. Lack of liquidity may also affect the value of the Company's securities. The trading price of the Shares, the Options (if admitted to official quotation on ASX) and any shares issued upon exercise of the Options, may fall as well as rise.

(C) 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.

(D) 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.

(E) 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.

(F) Security Investments

Applicants should be aware that there are risks associated with any securities investment. Shares listed on the stock market and, in particular, securities of biotechnology companies, have experienced extreme price and volume

fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

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 and Options offered under this Prospectus.

Therefore, the Shares and Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Shares and Options. 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 and Options in the Company.

## 5. Effect of the Offer on the Company

The effect of the Offer on the Company will be to:

- provide the funds to undertake the activities described in section 3; and
- alter the capital structure of the Company as described in section 6.

## 6. Effect on the Capital Structure of the Company

### 6.1 Shares and Options

#### **Capital Structure:**

The tables below set out the existing capital structure of the Company and the effect on the Company's capital structure of issuing the securities offered under this Prospectus (assuming that full acceptances are received for all Shares and Options offered under this Prospectus).

#### SHARES

	Minimum Subscription	Full Subscription
Existing issued ordinary shares	102,095,554	102,095,554
Shares offered under this Prospectus	40,000,000	51,047,777
<b>TOTAL</b>	<b>142,095,554</b>	<b>153,143,331</b>

#### OPTIONS

	Minimum Subscription	Full Subscription
Existing options*	240,000	240,000
Free attaching Options offered under this Prospectus	20,000,000	25,523,889
Underwriter Options offered under this Prospectus	20,000,000	20,000,000
<b>TOTAL</b>	<b>40,240,000</b>	<b>45,763,889</b>

\* Unlisted employee (non-director) options: 80,000 exercisable at \$0.14 expiring on 1 July 2013 and 160,000 exercisable at \$0.136 expiring on 23 July 2014.

#### **Dilution:**

The percentage shareholding in the Company of shareholders who do not take up their rights pursuant to the Rights Issue will be diluted.

**Major Shareholders:**

If only the underwritten Shares are issued, the direct and indirect interests of the Major Shareholders who are acting as sub-underwriters of the Rights Issue will increase as follows:

Major Shareholder	Current interest		Increased interest if only the Minimum Subscription (underwritten amount) is raised**	
	Number of Shares	% of issued Shares*	Number of Shares	% of issued Shares
Brezzo Enterprises Ltd	25,757,576	25.23%	38,636,364	30.35%
Sir David K.P. Li	26,228,458	25.69%	39,342,687	30.88%
First Charnock Pty Ltd	9,459,728	9.27%	14,189,592	9.99%

*Notes:*

\* If the Rights Issue is fully subscribed, the percentage of then issued Shares represented by the direct and indirect interests of the Major Shareholders (shown in this column) will not change.

\*\* The Major Shareholders will also receive free attaching Options and Underwriter Options. Brezzo Enterprises Ltd and Sir David K.P. Li will not be able to exercise those Options if to do so would increase their direct or indirect interests in Shares above the percentages in this column unless permitted by the Corporations Act (for example, with shareholder approval or by application of the “creep” rule to increase by up to 3% each 6 months). Subject to this limitation, the maximum percentages that would result from exercising Options assuming no other holder exercises any Options would be Brezzo Enterprises Ltd - 33.24%, Sir David K.P. L – 33.78% and First Charnock - 12.89%. The issue of Options to First Charnock is subject to shareholder approval as described in section 2.4 of this Prospectus

\*\*\* 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.

**6.2 Pro-Forma Balance Sheets of the Company**

Set out below is the pro-forma Balance Sheet of the Company as at 30 June 2012.

The financial information has been extracted from the audited financial statement for the year ending 30 June 2012. The pro-forma Balance Sheet assumes the Offer is fully subscribed (refer further below for Pro Forma adjustments) and raises \$2,552,388 less the estimated costs of the Offer.

	<b>30 June 2012 (audited) \$</b>	<b>30 June 2012 (unaudited pro forma) \$</b>
<b>Current Assets</b>		
Cash and cash equivalents	1,369,347	3,709,592
Trade and other receivables	367,966	367,966
Other assets	17,188	17,188
<b>Total current assets</b>	<b>1,754,501</b>	<b>4,094,746</b>
<b>Non Current Assets</b>		
Plant and equipment	6,127	6,127
<b>Total non current assets</b>	<b>6,127</b>	<b>6,127</b>

	30 June 2012 (audited) \$	30 June 2012 (unaudited pro forma) \$
<b>Total assets</b>	<b>1,760,628</b>	<b>4,100,873</b>
<b>Current liabilities</b>		
Trade and other payables	205,072	205,072
Employee benefits	45,925	45,925
<b>Total current liabilities</b>	<b>250,977</b>	<b>250,977</b>
<b>Non current liabilities</b>		
Employee benefits	8,863	8,863
<b>Total non current liabilities</b>	<b>8,863</b>	<b>8,863</b>
<b>Total liabilities</b>	<b>250,860</b>	<b>250,860</b>
<b>Net assets</b>	<b>1,500,768</b>	<b>3,841,013</b>
<b>Equity</b>		
Issued capital	28,236,711	30,789,099
Share issue costs	(1,307,200)	(1,519,343)
Share based compensation reserve	263,598	263,598
Accumulated losses	(25,692,341)	(25,692,341)
<b>Total equity</b>	<b>1,500,768</b>	<b>3,841,013</b>
Net tangible assets per security	\$0.0147	\$0.0245

#### **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 audited statement of financial position as at 30 June 2012 was 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 2012 has been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company. 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 audited statement of financial position as at 30 June 2012 and has then been adjusted to reflect the following pro-forma adjustment.

#### **Pro-forma Adjustment**

Receipt of proceeds of the Offer net of capital raising costs of \$2,340,245 (gross proceeds of the Offer are \$2,552,388 and capital raising costs associated with the rights issue are \$212,143). This is on the assumption maximum entitlements are taken up under the entitlements issue. The Company's total issued ordinary shares, assuming the Offer is fully subscribed, would be 153,143,331.

### 6.3 Costs of the Offer

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

	Minimum Subscription	Fully Subscribed
Particulars	Amount (\$)	Amount (\$)
Legal and administrative	\$25,000	\$25,000
ASIC Fees	\$2,000	\$2,000
General administration and ASX Fees	\$30,700	\$32,000
Underwriting Fees	\$120,000	\$153,143
<b>TOTAL</b>	<b>\$177,700</b>	<b>\$212,143</b>

## 7. Acceptance Instructions

### 7.1 Choices available under Rights Issue

Eligible Shareholders may:

- exercise their rights to participate in the Rights Issue in full; or
- exercise their rights to participate in the Rights Issue in part; or
- sell or transfer the whole or part of their Rights Issue Entitlement; or
- exercise their rights to participate in the Rights Issue in full and apply for Shortfall Shares and Options as described in section 2.2; or
- take no action under this Offer, thereby allowing their Rights Issue Entitlement to lapse.

### 7.2 Selling your Rights Issue Entitlement on ASX

If you wish to sell your Rights Issue Entitlement on ASX, complete the appropriate section on the back of the accompanying Entitlement and Acceptance Form marked "Instructions to your Stockbroker" and lodge the Entitlement and Acceptance Form with your stockbroker as soon as possible, or otherwise provide instructions to your stockbroker regarding the number of Rights you wish to sell on ASX. You can sell your Rights on ASX from 5 October 2012 until 26 October 2012. The Company accepts no responsibility for failure by your stockbroker to carry out your instructions.

### 7.3 Taking up part of your Rights Issue Entitlement and selling the balance on ASX

If you wish to take up only part of your Rights Issue Entitlement, complete the accompanying Entitlement and Acceptance Form for the number of New Shares and Options you wish to take up and follow the steps required in accordance with the below instructions. You may then provide instructions to your stockbroker regarding and remaining Rights you wish to sell on ASX.

### 7.4 Taking up part of your Rights Issue Entitlement and allowing the balance to lapse

If you wish to take up part of your Rights Issue Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares and Options you wish to take up and follow the steps required in accordance with the below instructions. If you take no further action, the balance of your Rights Issue Entitlement will lapse and you will have forfeited any potential benefit to be gained from selling/trading your rights.

## **7.5 Dealing with part or all of your Rights Issue Entitlement other than on ASX**

You may transfer all or part of your Rights to another person other than on ASX provided that the purchaser is not a Non-qualifying Foreign Shareholder or would be a Non-qualifying Foreign Shareholder if the purchaser were the registered holder of Shares.

If you wish to transfer all of your Rights Issue Entitlement to another person other than on ASX, forward a completed standard renunciation form (obtainable from the Company's Share Registry) and the applicable transferee's cheque or bank draft for any application money for the New Shares and Options they wish to subscribe for to the Company's Share Registry by 5.00pm (Melbourne time) on 2 November 2012.

If you wish to transfer part of your Rights Issue Entitlement to another person other than on ASX only, but also want to take up some or all of the balance of your Rights Issue Entitlement, you will need to take the steps described above in relation to the Rights you wish to transfer and complete the accompanying Entitlement and Acceptance Form in respect of the Rights you wish to take up. You will need to lodge the form in accordance with the procedure set out below.

If the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in respect of the same rights, the renunciation will be given effect in priority to the acceptance.

## **7.6 Allow all or part of your Rights Issue Entitlement to lapse**

Your Rights may have value. Rights are renounceable, which enable Eligible Shareholders who do not wish to accept some or all of their Rights Issue Entitlement to sell or trade all or part of their Rights on ASX.

## **7.7 Rights Trading**

Trading of Rights commences on ASX on 5 October 2012 with the last day of trading being 26 October 2012. All or part of Eligible Shareholders Rights may be traded on ASX or otherwise sold between these dates should you choose not to accept all or part of your Rights Issue Entitlement.

## **7.8 Completing an Entitlement and Acceptance Form**

All acceptances for New Shares and Options and Shortfall Shares and Options offered under this Prospectus must be made on the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out in on the form.

### ***If paying by BPAY<sup>\*</sup>:***

To apply and pay via BPAY, you should:

- read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- make your payment via BPAY for the number of Shares you wish to subscribe for (being the offer price of 5 cents (\$0.05) per Share multiplied by the number of Shares you are applying for) so that it is received no later than 5:00pm (Melbourne time) on the Closing Date, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

**If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.**

If your BPAY payment is received by 5:00pm (Melbourne time) on the Closing Date or such later date as the Company may specify, Shares (offered on a 1 for 2 basis) up to the payment amount received and attaching Options (issued on a 1 for 2 basis) are anticipated to be allotted to you on the despatch date (as set out in the timetable on page 1 of this Prospectus, which date may change without notice). The issue of any Shortfall Shares and Options for which payment

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<sup>\*</sup> @Registered to Bpay Pty Ltd ABN 69 079 137 518



is received is dependent upon sufficient Shortfall Shares and Options being available. Any payment made by BPAY for an amount greater than the amount of an applicant's entitlement under the Rights Issue, will be taken to amount to an application for Shortfall Shares and Options for the total of that additional amount.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. 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.

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.

***For payments by cheque, money order or BPAY:***

Your application or payment may not be accepted if received after 5:00pm (Melbourne time) on the Closing Date or such later date as the Company may specify, in which case no Shares or Options would be issued to you in respect of that application or payment, and any payment received will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

The amount payable on 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 (together with free attaching Options) which is covered in full by your payment. Alternatively, the Company may in its discretion reject your application, in which case any payment will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

If you apply for Shortfall Shares and Options in excess of your entitlement and you are not allocated all or some of the Shortfall Shares and Options applied for, the relevant payment will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

***If paying by cheque or money order:***

To apply and pay by cheque or money order, you should:

- read this Prospectus and the attached Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- complete the personalised Entitlement and Acceptance Form which accompanies this Prospectus (instructions for completing and returning the Entitlement and Acceptance Form are set out on the form); and
- return the completed Entitlement and Acceptance Form together with a cheque or money order for the applicable amount (being the offer price of 5 cents (\$0.05) per Share multiplied by the number of Shares you are applying for) to:

**IN AUSTRALIA (or if sent from Hong Kong)**

BioDiem Limited  
c/- Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

## IN NEW ZEALAND

BioDiem Limited  
c/- Goodman Tavendale Reid  
PO Box 442  
Christchurch 8140  
New Zealand

so that it is received by no later than 5:00pm (Melbourne, Victoria time) on the closing date (which is set out in the timetable on page 1 of this Prospectus) ("Closing Date"), or such later date as the Company may specify. The Company, Computershare Investor Services Pty Limited ("the Share Registrar") and Goodman Tavendale Reid accept no responsibility for delayed or misdelivered Entitlement and Acceptance Forms or payments.

**If you choose to pay by cheque or money order you must submit the completed Entitlement and Acceptance Form.**

Cheques should be made payable to "BioDiem Limited Share Application A/C" and crossed "Not Negotiable". Cheques must be payable in Australian dollars, drawn on an Australian branch of an Australian bank.

### 7.9 Offer to Non-Shareholder Applicants

Non-Shareholder Applicants can also apply for Shortfall Shares by completing a Non-Shareholder Application Form attached to or accompanying this Prospectus and returning it, together with payment by cheque or money order for the value of those Shortfall Shares applied for at 5.0 cents per Share to the Company. The Directors, reserve the right to issue such Shortfall Shares applied for at their absolute discretion in consultation with the Underwriter. This offer to Non-Shareholder Applicants is a separate offer under this Prospectus and will close at 5.00pm Melbourne time on the Closing Date.

Eligible Shareholders who apply for Additional Shares will be given priority to Non-Shareholder Applicants applying for Shortfall Shares. If more Shortfall Shares are applied for by Non-Shareholder Applicants than are available, applications by Non-Shareholder Applicants will be scaled back in the manner determined by the Company in consultation with the Underwriter in its absolute discretion. Non-Shareholder Applicants for Shortfall Shares will be bound to accept a lesser number of Shortfall Shares allocated to them than applied for if the Company in consultation with the Underwriter determines that is appropriate in its absolute discretion. If a lesser number is allocated to them, the excess Subscription Monies will be refunded without interest.

### 7.10 Further Information

**If you have any questions about your entitlement, please contact the Company's Share Registry on 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia). Alternatively, contact your stockbroker or other professional adviser.**

The issue of Shares and Options will occur as soon as practicable after the Offer has closed. Thereafter, statements of Share and Option holdings will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in Shares or Options. Recipients trading Shares or Options before they receive their statements will do so at their own risk. The Company may reject an acceptance where payment of the application monies is not received or a cheque is not honoured, or without prejudice to its rights, issue Shares and Options in response to the acceptance and recover outstanding application monies from the recipient.

Subject to the requirements of the Corporations Act and the ASX Listing Rules, the Directors may (at their discretion) issue Shortfall Shares and Options to third-party investors who may or may not be existing shareholders of the Company.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to acquire Shares and Options. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, recipients of this Prospectus should have regard to their own objectives, financial situation and needs.

Recipients of this Prospectus should make their 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 and Options or other securities of the Company.

## 8. Underwriting Arrangements

Pursuant to an agreement executed between Patersons Securities Limited, as Underwriter, and the Company on 28 September 2012 ("the Underwriting Agreement"), the Underwriter has agreed to underwrite the shortfall in subscriptions for Shares and Options under the Offer up to the sum \$2,000,000. The number of shares underwritten by the Underwriter will not be affected by the issue of any new shares by the Company prior to the Record Date as a result of the exercise by shareholders of existing options (if any).

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter a lead manager fee of 2% on the total amount raised under the Offer;
- (b) pay the Underwriter an underwriting fee of 4% of the total underwritten amount (being \$2,000,000);
- (c) pay the Underwriter a selling fee of 4% of the total gross amount placed or sold over and above the total underwritten amount; and
- (d) issue to the Underwriter (or its nominees) 20,000,000 Underwriter Options.

The Underwriting Agreement is subject to the Underwriter being satisfied with the form of this Prospectus and giving its consent to being named in this Prospectus.

The Offer and the Underwriter's obligations are conditional upon the Company's Major Shareholders (as defined in section 2.4 above) taking up their entitlements under the Rights Issue by way of sub-underwriting \$1,536,144 of the Offer as described in the table below. If these shareholders do not take up their entitlements, the Offer will not proceed, no shares or options will be issued and all application monies received will be refunded to applicants in full without interest.

### Major Shareholders' sub-underwriting

Name	Amount Sub-Underwritten (\$)	Sub-Underwriting Fee (4% of amount sub-underwritten) (\$)	Sub-Underwriter's Options (No.)
Brezzo Enterprises Ltd	\$643,940	\$25,757	6,439,394
Sir David K.P. Li	\$655,711	\$26,228	6,557,115
First Charnock Pty Ltd*	\$236,493	\$9,459	2,364,932

*\* First Charnock Pty Ltd, a company associated with a director of the Company, Mr Hugh Morgan, is a related party of the Company. Refer to section 2.4 of this Prospectus regarding the payment of the fee and issue of Underwriter Options to First Charnock Pty Ltd.*

### Representations and Warranties

- (a) Prospectus complies with section 713 of the Corporations Act;
- (b) Forecasts are made with reasonable grounds;
- (c) Due diligence results are correct and there is no material omissions;

- (d) No rights to securities;
- (e) Permits held by relevant Companies;
- (f) No encumbrances over assets;
- (g) No litigation pending or current;
- (h) No event of insolvency has occurred;
- (i) Corporate authority exists for the Company to enter into Underwriting Agreement;
- (j) Underwriting Agreement does not result in any breach;
- (k) Underwriting Agreement constitutes a binding obligation;
- (l) No breach by the Company of any material agreements;
- (m) No prescribed occurrence has taken place;
- (n) Certificate correct;
- (o) Information provided to the Underwriter is materially true and correct;
- (p) Company is in compliance with Acts;
- (q) Accounts present a true and fair view of the financial position of the Company;
- (r) Constitution compliant;
- (s) Uncalled capital;
- (t) Shares to be issued will be fully paid;
- (u) Options will be free of all encumbrances and will rank equally;
- (v) Register of members has been diligently and properly kept.

#### **Events of termination**

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events including:

- (a) (Indices fall): the All Ordinaries Index (IRESS XAO.ASX), the S&P/ASX 200 (IRESS:XJO.ASX) or the S&P/ASX Small industrials (IRESS:XSI.ASX) as published by ASX is at any time after the date of the Underwriting Agreement 7.5% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) (Prospectus): the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company; or
- (c) (Copies of Prospectus): the Company fails to provide the Underwriter with 25 copies of the Prospectus within 7 days of the lodgement date and such failure is not remedied within 2 days; or
- (d) (No Official Quotation): Official Quotation has not been granted for all the Shares and Options offered under the Rights Issue by the date upon which the Company is required to give notice to the Underwriter of any shortfall securities or, having been granted, is subsequently withdrawn, withheld or qualified; or

- (e) (Supplementary prospectus):
  - (i) the Underwriter, having elected not to exercise its right to terminate its obligations, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
  - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- (f) (Non-compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act; or
- (g) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (h) (Restriction on allotment): the Company is prevented from allotting the shares offered under the Rights Issue and options to the Underwriter within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (i) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (j) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the date upon which the Company is required to notify the Underwriter of any shortfall securities has arrived, and that application has not been dismissed or withdrawn;
- (k) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (l) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (m) (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (n) (Authorisation): any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (o) (Indictable offence): a director or senior manager of a the Company or any of its subsidiaries is charged with an indictable offence;
- (r) (Sub-underwriters): any of the Major Shareholder sub-underwriters do not comply with their obligations under the sub-underwriting agreements or threaten to not comply with all of their respective obligations under the sub-underwriting agreements with the Underwriter;

- (s) (Termination Events): any of the following events occurs:
- (i) (Default): material default or material breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) (Contravention of constitution or Act): a material contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) (Adverse change): an event occurs which gives rise to a material adverse effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or any subsidiary including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
  - (v) (Error in Due Diligence Results): it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them;
  - (vi) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
  - (vii) (Public statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus;
  - (viii) (Misleading information): any information supplied in writing at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of the Company or any subsidiary is or becomes materially misleading or deceptive or likely to materially mislead or deceive;
  - (ix) (Official Quotation qualified): the official quotation is qualified or conditional other than as set out in the definition of "Official Quotation" within the Listing Rules;
  - (x) (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
  - (xi) (Prescribed Occurrence): a specified prescribed occurrence occurs;
  - (xii) (Suspension of debt payments): the Company suspends payment of its debts generally;
  - (xiii) (Event of Insolvency): an event of insolvency occurs in respect of the Company or any subsidiary;
  - (xiv) (Judgment against a Relevant Company): a judgment in an amount exceeding \$25,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 7 days;
  - (xv) (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any the Company or any subsidiary which could have a material adverse effect, other than any claims foreshadowed in the Prospectus;
  - (xvi) (Board and senior management composition): other than as previously advised to the Underwriter by the Company, there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter;

- (xvii) (Change in shareholdings): there is a material change in the major or controlling shareholdings of a the Company or any subsidiary or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any subsidiary;
- (xviii) (Timetable): there is a delay in any specified date in the Offer timetable which is greater than 3 business days;
- (xix) (Force Majeure): a force majeure affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- (xx) (Certain resolutions passed): a the Company or any subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) (Capital Structure): any the Company or any subsidiary alters its capital structure in any manner not contemplated by the Prospectus;
- (xxii) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a the Company or any subsidiary; or
- (xxiii) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.
- (xxiv) (Material Breach): if the Underwriter fails to rectify any material breach of the mandate letter entered into by it and the Company having been given 10 business days' notice in writing by the Company of such breach having occurred.

### **Indemnities by the Company**

The Underwriting Agreement also contains a number of indemnities provided by the Company for the benefit of the Underwriter to hold the Underwriter and all its officers, employees, agents and advisors harmless from and against all prosecutions, losses, penalties, actions, suits, claims, expenses, costs, liabilities, charges, outgoings, payments, demands and proceedings arising out of or in respect of:

- (a) the Offer;
- (b) non-compliance with or breach of any legal requirement or the ASX Listing Rules in relation to the Prospectus or any documents in respect of the Offer which accompany the Prospectus;
- (c) any statement, misstatement, misrepresentation, non-disclosure, inaccuracy or omission from the Prospectus or any documents in respect of the Offer which accompany the Prospectus;
- (d) any advertising, publicity, announcements, statements and reports in relation to the Offer made with the agreement of the Company.

Additionally, the Company will indemnify the Underwriter in respect of any payment made by the Underwriter to reimburse or provide for payment of any loss suffered personally by the Underwriter and an officer, employee, agents or advisor of the Underwriter in respect of the matters described in (a) to (e) above.

These indemnities are limited by any contravention by the Underwriter of the Corporations Act or anything done which results in losses for wilful default, misconduct, fraud, negligence or breach of contract of the person claiming the indemnity.

In the event that there is a dispute as to a party's liability for an indemnity, the Company agrees to pay or reimburse the amount claimed until such time as the matter is determined. The Company is obliged to reimburse the Underwriter's expenses incurred in connection with the matters described in (a) to (e) above.

The indemnities contained in the Underwriting Agreement survive termination of the Underwriting Agreement.

All the obligations of the Underwriter under the Underwriting Agreement are discharged when any of the following occurs:

- (a) On the date on which all Rights Shares have been subscribed;
- (b) Underwriter lodges application for Shortfall Securities accompanied by the price;
- (c) On the date the Underwriter terminates the Underwriting Agreement;
- (d) The Company fails to give the Underwriter a valid notice by the Shortfall Notice Deadline Date;
- (e) Approval for official quotation has not been obtained by the Shortfall Notice Deadline Date; or
- (f) If Completion has not taken place within five business days of the Closing Date other than by reason of a default by the Underwriter in the performance of its obligations under the Underwriting Agreement.

In the event that the Company or the Underwriter terminates the Underwriting Agreement, the Company will pay the Underwriter \$60,000 as a termination fee together with the reimbursement of any expenses incurred or accrued by the Underwriter up to the date of termination. If Shareholders do not approve the issue of Underwriter Options, compensation of up to \$3,583 may be payable to the Underwriter.

## **9. Continuous Disclosure Obligations**

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities or options offered to acquire securities under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 12 months before the date of this Prospectus.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

For the purpose of satisfying section 713(5) of the Corporations Act a prospectus must incorporate information if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
  - the rights and liabilities attaching to the securities being offered.



The Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the Prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus.

The Company 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 the Company continues to seek and negotiate potential commercial opportunities in this respect, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

As a disclosing entity under the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the acceptance period of this Prospectus:

- (a) the financial statements of the Company for the financial year ended 30 June 2012 (lodged on 28 September 2012), being the most recent annual financial report of the Company lodged with ASIC before the lodgement of this Prospectus with ASIC;
- (b) any continuous disclosure notices given by the Company since the lodgement of the annual financial report referred to in (a) above and before lodgement of this Prospectus. Continuous disclosure notices given by the Company since the lodgement of the annual financial report to the date of this Prospectus are listed in section 10 of this Prospectus.

## 10. ASX Announcements

No announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its audited financial statements (annual financial report) for the year ended 30 June 2012:

Date	Headline
28/09/2012	Full Year Statutory Accounts

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website, [www.asx.com.au](http://www.asx.com.au), and will also be made available on the Company's web site, [www.biodiem.com](http://www.biodiem.com). Copies of announcements can also be obtained from the Company upon request. Prospective investors are advised to refer to ASX's website or the Company's website for updated releases about events or matters affecting the Company.

In making statements in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## 11. Terms of Securities Offered

### 11.1 Shares

The Shares including the Shortfall Shares will be fully paid ordinary shares in the capital of the Company, which will rank equally with, and will have the same voting and other rights as the existing issued shares of the Company. The rights attaching to the Company's shares are set out in the Company's Constitution, the Listing Rules of ASX and the Corporations Act. The Company's Constitution has been lodged with ASIC. The Constitution contains provisions of the kind common for public companies in Australia 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.

## 11.2 Options

Rights attaching to the Options (including Shortfall Options and Underwriter Options) offered under this Prospectus are set out below:

- Each option, upon exercise, entitles the holder to acquire one ordinary fully paid share in the capital of the Company.
- Each option is exercisable at any time on or before 5:00 pm Melbourne time on 31 December 2014 ("the Exercise Period") by completing the option exercise form and delivering it together with the payment for the number of shares in respect of which the options are exercised to the registered office of the Company. Any option that is not exercised during the Exercise Period automatically lapses.
- The exercise price of the options is 8 cents (\$0.08) per option payable in full on exercise.
- Subject to the Corporations Act, the ASX Listing Rules, and the Constitution of the Company, options are freely transferable. All shares issued upon exercise of options will rank equally in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid shares. The Company will apply for official quotation by ASX of all shares issued upon exercise of options.
- The options will not give any right to participate in dividends until shares are issued pursuant to the exercise of the relevant options.
- There are no participation rights or entitlements inherent in the options. Option holders are not entitled to participate in new issues of securities offered to shareholders without first exercising the options. Subject to any waiver granted by ASX, the Company will send notices to option holders at least five business days prior to the record date applying to offers of securities made to shareholders during the currency of the options.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of the Exercise Period, the number of options or the exercise price of the options or both shall be reconstructed in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction

Shares issued upon the exercise of Options will be fully paid ordinary shares and will have the same voting and other rights as the existing shares of the Company.

## 12. Directors' Interests

### 12.1 Securities

#### Existing Interests

As at the date of this Prospectus, the Directors' direct and indirect interests in shares and options of the Company are as follows:

<i>Director</i>	<i>Shares</i>	<i>Shareholding %</i>	<i>Options</i>
Mr Hugh Morgan	9,459,728	9.27%	-
Ms Julie Phillips	2,627	0.003%	-
Mr Don Brooks	29,410	0.03%	-

<b>Director</b>	<b>Shares</b>	<b>Shareholding %</b>	<b>Options</b>
Prof. Arthur Li	-	-	-
Prof. Larisa Rudenko	-	-	-

Participation by Directors in the Rights Issue

The Directors are entitled, but not obliged, to participate in the Rights Issue without the need for shareholder approval. Shareholder approval would however be required for the Directors to apply for any Shortfall Shares and Options. The Directors' capacity to accept the Rights Issue or apply for any Shortfall Shares and Options is also subject to 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 2001.

If each of the Directors participates to the maximum extent permissible then their respective direct and indirect interests will upon issue of the Shares and Options be as set out below:

					<i>F = Rights Issue Fully Subscribed M = Minimum Subscription only</i>	
<b>Director</b>	<b>Entitlement under the Rights Issue (Shares)</b>	<b>Entitlement under the Rights Issue (Options)</b>	<b>Total interest if full entitlement taken up (Shares)</b>	<b>Total interest if full entitlement taken up (Options)</b>	<b>% shareholding on completion of Rights Issue if full entitlement taken up</b>	<b>Maximum % shareholding (if all Options are exercised) *</b>
Mr Hugh Morgan	4,729,864	2,364,932 <sup>^</sup>	14,189,592	2,364,932 <sup>^</sup>	F: 9.27% M: 9.99%	F: 10.65% <sup>^</sup> M: 11.46% <sup>^</sup>
Ms Julie Phillips	1,314	657	3,941	657	F: 0.0026% M: 0.0027%	F: 0.0030% M: 0.0032%
Mr Don Brooks	14,705	7,353	44,115	7,353	F: 0.029% M: 0.031%	F: 0.034% M: 0.036%
Prof. Arthur Li	-	-	-	-	0	0
Prof. Larisa Rudenko	-	-	-	-	0	0

*Notes:*

*\* Assumes that, in the case of each Director (and his or her associates), all Options issued to the Director or his or her associates under the Rights Issue are exercised, and that no other shareholder or Director exercises any Option issued under this Prospectus.*

*^ This figure does not include any Underwriter Options which, subject to shareholder approval, may be issued to First Charnock Pty Ltd as a sub-underwriter of the Offer. If the Underwriter Options were also to be exercised, the total maximum holding would be 11.99% if the Rights Issue is fully subscribed, or 12.89% if only the Minimum Subscription is achieved. Details of the Underwriter Options to be issued to First Charnock Pty Ltd are provided in section 8 above.*

Except as disclosed in this Prospectus, no Director or proposed Director has, or has had within two years of lodgement of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

## **12.2 Remuneration**

Directors are entitled to receive directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company. Details of the remuneration paid to Directors to 30 June 2012 are set out in the financial statements of the Company for the financial year ended 30 June 2012.

The total amounts payable (exclusive of GST) to current Directors as fees and executive service remuneration in the 2 year period prior to lodgement of this Prospectus are:

<b>Director</b>	<b>October 2010 – September 2011</b>	<b>October 2011 - September 2012</b>
Mr Hugh Morgan	72,666	56,166
Ms Julie Phillips	289,750	244,000
Mr Don Brooks	63,021	50,000
Prof. Arthur Li	46,250	35,000
Prof. Larisa Rudenko	155,000	155,000

Except as disclosed in this Prospectus, no person has paid or agreed to pay any amount to any Director or has given or agreed to give any benefit to any Director, to induce the Director to become, or to qualify as, a Director of the Company or otherwise for services rendered by the Director in connection with the formation or promotion of the Company or the Offer.

## **12.3 Payments to Entities Associated with Directors**

First Charnock Pty Ltd, a company associated with Mr Hugh Morgan, is acting as a sub-underwriter of the Rights Issue. As described in section 8 above, First Charnock Pty Ltd will receive a sub-underwriting fee of \$9,459 (4% of the amount sub-underwritten by it) and, subject to shareholder approval, 2,364,932 Underwriter Options.

## **13. Taxation**

Recipients of the Offer should seek and obtain their own taxation advice before applying for Shares and Options so that they may first satisfy themselves of any taxation implications associated with acquiring Shares and Options.

## **14. Overseas Shareholders**

### **14.1 Overseas Investors**

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an Offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

Shareholders holding Shares on behalf of persons who are resident overseas (except in New Zealand and Hong Kong) are responsible for ensuring that taking up the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. The Offer has not been, and will not be, registered under the US Securities Act and has not been made in the United States of America or to persons resident in the United States of America.

The Company is of the view that it is unreasonable to make the Offer to Shareholders outside of Australia, New Zealand, and Hong Kong having regard to:

- (a) The number of Shareholders registered outside of Australia, New Zealand and Hong Kong;
- (b) The number and value of securities to be offered to Shareholders registered outside of Australia, New Zealand 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, New Zealand and Hong Kong ("Excluded Shareholders").

The Company has appointed Patersons Securities Limited, on normal commercial terms, as nominee for the Excluded Shareholders to arrange the sale of the Rights Issue Entitlements which would have been offered to the Excluded Shareholders. The Company will transfer the Rights Issue Entitlements of the Excluded Shareholders to the nominee who will account to the Company's Share Registry who will then despatch the net proceeds of sale (if any) to each individual Excluded Shareholder. The nominee will have absolute and sole discretion to determine the timing and the price of at which the Rights Issue Entitlements may be sold and the manner of any such sale. Neither the Company nor the nominee will be subject to any liability for failure to sell the Rights Issue Entitlements that would have been offered to Excluded Shareholders or to sell them at a particular price.

If, in the reasonable opinion of the nominee, there is not a viable market for the Rights Issue Entitlements or a surplus over the expenses of sale cannot be obtained for the Rights Issue Entitlements that would have been offered to Excluded Shareholders, then those Rights Issue Entitlements will be allowed to lapse and will form part of the shortfall.

### **14.2 Hong Kong Investors**

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 advisors" 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 and options 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 or options, 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 or options.

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.

### **14.3 New Zealand Regulatory Requirements**

This Rights Issue to New Zealand investors is a regulated Rights Issue made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. This Rights Issue and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Rights Issue must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Rights Issue. If you receive this Offer in New Zealand and need to make a complaint about this Rights Issue, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Rights Issue may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a financial market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

### **14.4 Other Countries**

This Prospectus does not constitute an offer for securities in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia, New Zealand and Hong Kong may be restricted by law, and persons outside Australia, New Zealand and Hong Kong who come into possession of this Prospectus should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares and Options or the Rights Issue or otherwise to permit a public offering of the securities in any jurisdiction outside Australia, New Zealand and Hong Kong. The Shares and Options have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA. Any person accessing the electronic version of this Prospectus for the purpose of investing in the Company must only access it from within Australia, New Zealand or Hong Kong.

## **15. Privacy**

Personal information is collected on the Entitlement and Acceptance Forms by the Company and its Share Registrar for maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Acceptances might not be processed efficiently, or at all, if the information requested is not provided. Personal information about recipients may be disclosed to external service providers such as print or mail service providers as required or permitted by law. A recipient who would like details of their personal information held by the Company or its Share Registrar, or who would like to correct information that is incorrect or out of date, should contact the Share Registrar by telephone on 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia) or at the address shown in the Corporate Directory on page 1 of this Prospectus. In accordance with the Corporations Act, recipients may be sent material (including marketing material) in addition to general corporate

communications. Recipients may elect not to receive marketing material by contacting the Share Registrar. Recipients can also request access to, or corrections of, personal information held by the Company by writing to the Company.

## **16. Electronic Prospectus**

This Prospectus is available in electronic format at [www.biodyem.com.au](http://www.biodyem.com.au). Offers constituted by this Prospectus in electronic form (if any) are only available to Eligible Shareholders receiving this Prospectus in electronic form within Australia. Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by telephoning 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia), or alternatively the Company on +61 3 9613 4100. Acceptances for Shares and Options may only be made on the Entitlement and Acceptance Form which accompanied or was attached to a copy of this complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing Prospectus in its paper copy form or a print out of the form which formed part of or was accompanied by the on to another person an Entitlement and Acceptance Form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

## **17. Investment Decisions**

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the offer of shares and options pursuant to this Prospectus having regard to their own objectives, financial situation, tax position and needs.

## **18. Future Performance**

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment in the securities (shares and options) offered by this Prospectus should be considered speculative.

## **19. Consents**

Patersons Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to and Underwriter of the offer of securities under this Prospectus, in the form and context in which it is named. Patersons Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons Securities Limited makes no express or implied representation or warranty in relation to BioDiem Limited, the Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited. To the maximum extent permitted by law, Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

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.

Goodman Tavendale Reid Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as New Zealand agent to the offer of securities under this Prospectus, in the form and context in which it is named. Goodman Tavendale Reid Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Goodman Tavendale Reid Limited makes no express or implied representation or warranty in relation to BioDiem Limited, the Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Goodman Tavendale Reid Limited. To the maximum extent permitted by law, Goodman Tavendale Reid Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

Each of the Brezzo Enterprises Ltd, Sir David K.P. Li and First Charnock Pty Ltd has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as a sub-underwriter of the offer of securities under this Prospectus, in the form and context in which it is named. Brezzo Enterprises Ltd, Sir David K.P. Li and First Charnock Pty Ltd were not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Brezzo Enterprises Ltd, Sir David K.P. Li and First Charnock Pty Ltd make no express or implied representation or warranty in relation to BioDiem Limited, the Prospectus or the offer and do not make any statement in this Prospectus, nor is any statement in it based on any statement made by any of them. To the maximum extent permitted

by law, each of Brezzo Enterprises Ltd, Sir David K.P. Li and First Charnock Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

## **20. Enquiries**


If you have any questions regarding the content of this Prospectus or how to complete the Entitlement and Acceptance Form, please contact the Company's Share Registry on 1300 850 505 (within Australia) or +61 3 9415 5000 (outside Australia). Alternatively, you should contact your stockbroker, accountant or independent professional financial adviser prior to accepting the Offer.

Any questions concerning the Offer should be directed to the Company on +61 3 9613 4100.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any such information not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

## **Directors' Responsibility Statement**

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.

A handwritten signature in black ink, appearing to read 'Julie Phillips', written over a large, faint, oval-shaped watermark or background mark.

JULIE PHILLIPS  
Chief Executive Officer & Director



**For all enquiries:**

**Phone:**  
 (within Australia) 1300 850 505  
(outside Australia) 61 3 9415 4000  
**Web:**  
 [www.investorcentre.com/contact](http://www.investorcentre.com/contact)

┌ 000001 000 BDM  
MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

**Make your payment:**



See over for details of the Offer and how to make your payment

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## Renounceable Rights Issue — Entitlement and Acceptance Form

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 **Your payment must be received by 5:00pm (AEDT) Friday 2 November 2012**

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser. ASX will quote a market for rights between 5 October 2012 and 26 October 2012. Please refer to the Prospectus for details on how to renounce your rights.

### Step 1: Registration Name

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

If you have a CHESSE sponsored holding, please contact your Controlling Participant to notify a change of address.

### Step 2: Make Your Payment

You can apply to accept either in full or part of your Entitlement. Enter the number of new shares you wish to apply for and the amount of payment for these shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 1 October 2012.

Please choose one of the payment methods shown below.

**By BPay:** See overleaf. Do not return the slip with BPay payment.

**By cheque or bank draft:** Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "BioDiem Limited - Offer Account". The cheque must be drawn from an Australian bank. Cash is not accepted.

Your payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

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**Turn over for details of the Offer →**

# Entitlement and Acceptance Form with Additional Shares

X 9999999991

IND

## STEP 1

### Registration Name & Offer Details

Registration Name: MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

For your security keep your SRN/  
HIN confidential.

Entitlement No: 00005856

Offer Details: Existing shares entitled to participate as at  
11 October 2012:

4,000

Entitlement to new shares  
on a 1 for 2 basis:

2,000

Amount payable on acceptance  
at \$0.05 per share:

\$100.00

## STEP 2

### Make Your Payment



Billers Code: 207274  
Ref No: 1234 5678 9123 4567 89

#### Pay by Mail:

Make your cheque, money order or bank draft payable to "BioDiem Limited - Offer Account". Return your cheque on the below slip to:

Computershare Investor Services Pty Limited  
GPO BOX 505 Melbourne, Victoria 3000 Australia

Contact your financial institution to make your payment from your cheque or savings account.

#### Lodgement of Acceptance

If you are applying for shares and your payment is being made by BPAY®, you do not need to return the slip below. Your payment must be received by no later than 5:00pm (AEDT) on Friday 2 November 2012. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor BioDiem Limited accepts any responsibility for loss incurred through incorrectly completed BPAY® payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY® are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by no later than 5:00pm (AEDT) on Friday 2 November 2012. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for Eligible Shareholders. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor the Company accept any responsibility if you lodge the slip below at any other address or by any other means.

#### Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution of payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print and postage service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

Detach here

#### Acceptance Payment Details

Entitlement taken

Number of additional shares applied for:

Amount enclosed at \$0.05 per new share: A\$

Payment must be received by 5:00pm (AEDT) Friday 2 November 2012

#### Contact Details

Contact Name \_\_\_\_\_ Daytime Telephone \_\_\_\_\_

#### Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>



Entitlement No: 00005856

MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

123456789123456789+0000000001-3051+14