BioDiem Ltd
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**ASX Announcement**

**Date: 28 February 2006**

## BioDiem posts half yearly results

Melbourne, Australia: BioDiem Ltd (ASX:BDM) today filed its Financial Report for the half-year ended 31st December 2005. Highlights compared with the half year to 31st December 2004 were:

## Financial

- Revenue increased $1,355,449 (88%) to $2,887,634; reflecting the receipt of milestone payments from Nobilon associated with the continued development of BioDiem's live attenuated influenza vaccine (LAIV).

- Operating expenses decreased by $179,422 (6%) to $2,983,935. Licence expenses were down relative to the corresponding period, when the Company acquired the rights to eye compound BDM-E. R&D costs were slightly increased in line with continued activity during the half year.

- Operating loss declined from $1,534,871 to $96,301, leaving cash reserves of $5,999,881 at 31st December, 2005

## Commercial and R&D progress

### LAIV

- BioDiem scientists, in collaboration with the St Petersburg Institute of Experimental Medicine continued work with our commercial partner Nobilon to advance the vaccine towards clinical trials for launch in Western markets. Clinical trials are expected to commence in 2H 2007. This team is also preparing a potential vaccine candidate against avian flu.

- We received US$2m in milestone payments from Nobilon during the half year, bringing the total received since the licensing agreement was signed in November 2004 to US$3m. Further milestone payments, up to a potential total of US$8m, are payable over the next few years up to the time the vaccine enters the market, followed by royalties on sales. BioDiem retains the marketing rights in North America.

**BDM-E**

- BioDiem has commenced a clinical trial of its peptide BDM-E in patients with Diabetic Macular Oedema. The phase I/II, "proof of concept", study will include 192 patients at 8 centres in St. Petersburg and Moscow in Russia. The trial is being conducted in compliance with ICH Good Clinical Practice (GCP) guidelines. The trial is being managed by a Swiss contract research organisation that specialises in clinical eye studies. Recruitment of patients is expected to be completed by June 2006 with results available by the end of CY2006. The study end-points are (i) changes in macular oedema measured by ocular coherence tomography and (ii) changes in visual acuity to be measured over a 3 month observation period.

- A major part of the Company's research effort has been allocated to this project during the half-year as it prepared for the clinical trial. The Company will now pay the IBG Clinic, from whom the compound was originally licensed, a last milestone of US$500,000 which falls due following the commencement of the clinical trial.

- Other work is continuing in parallel, investigating the mechanism of action of BDM-E.

**BDM-K**

- BDM-K has been tested in animal models for a range of indications including myocardial infarction and wound healing. These studies have not met our strict scientific end-points. Consequently, the Company will now investigate alternative opportunities for maximising value for shareholders with this product.

**BDM-I**

- On December 21, 2005 the Company announced that it had been granted a $2.15m Commercial Ready Grant from AusIndustry to progress the development of its BDM-I compound as a feed additive for the poultry industry. The Company plans large scale field trials in Australia and Europe under commercial poultry rearing conditions, the first of which has now commenced. Following assessment of these results, further developmental studies such as long term toxicology, tissue residues, environmental assessment and scale-up manufacturing will follow.

- During the half year, the Company completed a study on the absorption and distribution of BDM-I. This showed positive results with no measurable accumulation of BDM-I in the edible meat. Recent stability studies indicate a long shelf life can be achieved.

*Further information:*
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# BioDiem Limited

ABN: 20 096 845 993

**ASX Preliminary final report ~ December 31, 2005**

**Lodged with the ASX under ASX Listing Rule 4.3A**

This report is to be read in conjunction with any public announcements made by the company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Contents**

# BioDiem Limited

ABN: 20 096 845 993

Reporting period: 6 months ended December 31, 2005.
Previous period: 6 months ended December 31, 2004.

**Results to be announced to the market**

| | **% Mvt.** | **A$'000** |
|---|---|---|
| Revenue from ordinary activities | Up 88.46% | 2,887 |
| (Loss) / from ordinary activities | Down 94.1% | (96) |
| Net (loss) for the year attributable to members | Down 94.1% | (96) |

**Dividends**

It is not proposed to pay a dividend.

**Explanation**

BioDiem received two milestone payments from Nobilon for progress made with BioDiem's live attenuated influenza vaccine (LAIV) during the period, whereas only one milestone payment had been received in the previous period.

Operating expenses were also higher in the previous period as BioDiem exercised its right under an option agreement with the Institute of Bioregulation and Gereontology to secure worldwide license to develop a drug to treat diabetic retinopathy and macular degeneration.

| **Other information** | **December 31, 2005** | **June 30, 2005** |
|---|---|---|
| Net tangible assets per ordinary share | **17.23 cents** | **17.43 cents** |

This preliminary final report is based on accounts which have been reviewed. The review report which was unqualified will be made available when the company lodges its complete Directors' and Financial Report.