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FACSIMILE TRANSMISSION

DATE:	May 2, 2006	TIME:	4:05pm
TO:	Mr. James Gerraty Australian Stock Exchange, Melbourne	FAX:	03 9614 0303
FROM	Richard Wadley BioDiem Ltd	PHONE:	61 3 9613 4100
		FAX:	61 3 9613 4111

RE: APPENDIX 4C

Number of pages including cover sheet: 2

Dear James,

I acknowledge receipt of your letter of 1st May 2006, and I reply as follows in bold:

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

The Company does not necessarily expend cash at a constant rate, expenditures being governed mainly by the requirements of its ongoing research and development programmes. The previous quarter results reflect a one-off initiation payment to the licensor for the BDM-E clinical trial and therefore the company expects expenditure commitments to reduce in the next quarter. The Company continues to review its funding requirements and this includes considering further capital raisings which would be undertaken well in advance of the Company's expenditure requirements, the possibility of which was announced at the company's Annual General Meeting.

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

The Company earns grant income, interest and from time to time milestone payments from its licensee. Consequently, some quarters will have negative cash

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flows which is in the nature of technology development companies such as BioDiem Ltd., when at this stage they do not have products on the market. The Company regularly reviews its ongoing cash requirements and adjusts expenses and potential fund raising plans accordingly as referred to at the AGM in the CEO's address.

3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?

Actual revenues and expenses have been consistent with the internal forecasts.

4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

N/A

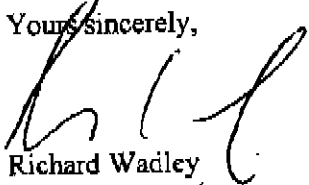
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

The Company confirms that it is in compliance with ASX Listing Rules and in particular Listing Rule 3.1.

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

The Company is aware at all times of its financial condition and the requirements of Listing Rule 12.2. As at 31st March 2006, the company had total current assets of \$3,863,690 and total current liabilities of \$176,566. Having regard to its cash position, anticipated expenditure requirements and available alternatives for raising further funds, the Company considers that it can maintain its financial condition at a level adequate to warrant the continued quotation of its securities and its continued listing on the ASX.

Yours sincerely,



Richard Wadley
Company Secretary



1 May 2006

Richard Wadley
Company Secretary
BioDiem Limited
MELBOURNE VIC

By email only

Dear Richard

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VIC 3001

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BioDiem Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2006, released to Australian Stock Exchange Limited ("ASX") on 27 April 2006 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Nil receipts from customers.
2. Net negative operating cash flows for the quarter of \$2,173,000.
3. Cash at end of quarter of \$3,824,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?

4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email or on facsimile number (03) 9614 0303. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00 pm. E.S.T. on Wednesday, 3 May 2006.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

[sent electronically without signature]

James Gerraty
MANAGER ISSUERS, MELBOURNE