



ASX Announcement

Date: 7 August 2006

Proposed two for three entitlement issue

BioDiem Ltd (ASX: BDM) wishes to announce that it intends to undertake a two (2) for three (3) non-renounceable entitlement issue to all shareholders on the basis of two (2) new shares for every three (3) shares held as at the Record Date at a subscription price of 20 cents per share. Shareholders will also be able to subscribe for a further 10% of their entitlement or for 25,000 additional New Shares (whichever is the greater) out of any shortfall. This issue is to be fully underwritten and will raise approximately \$4,176,947 before allowing for costs associated with the issue.

Commenting on the Rights Issue, Chairman of BioDiem, Mr Hugh Morgan said the funds raised from the issue will be applied predominantly towards the completion of the Phase I/II clinical trial of BioDiem's peptide BDM-E. "This novel compound has entered a placebo controlled clinical trial to test its ability to safely and effectively improve the vision and clinical symptoms of patients with a type of diabetic retinopathy, which is a leading cause of blindness," Mr Morgan said.

Proceeds will also be applied towards conducting ongoing work on the Company's other technologies, which include an intranasal influenza vaccine being developed for both seasonal and pandemic flu, and towards the costs of the issue and the Company's working capital requirements.

Mr Morgan also commented that he would be taking up his full entitlement and participating as one of the sub-underwriters to the issue.

For and on behalf of the Board

Tom Williams
Managing Director

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