



BioLayer Corporation Limited

31 August 2007

BioLayer's Results for the year ending 30 June 2007 (ASX:BLS)

BioLayer Corporation Limited ("BioLayer") takes pleasure in submitting its Appendix 4E for the year ending 30 June 2007 together with an outline of the year's highlights below.

Review of the Year

A number of business development initiatives saw the CEO visit the United States and Europe multiple times to seek and secure collaboration agreements with global *in vitro* diagnostics clients as envisaged at the start of the year.

This resulted in 3 projects commencing in the first Quarter of 2007, one of which is with Beckman Coulter's Advanced Technology Centre to treat its proprietary surface to be used in a new diagnostic platform with variations of BioLayer's Mix&Go™ coatings in order to improve its analytical performance.

All 3 projects, including the one with Beckman, are currently on-going and the company is continuing to engage closely with those clients to transition BioLayer's technology into each client's differing platforms.

Meanwhile a further 3 international (and several domestic) projects have entered the company's development pipeline, 2 of which are building on BioLayer's long-held expertise in coatings for Luminex's innovative xMAP bead-based multiplexing platform.

Having previously commercialised Mix&Go™ coatings on xMAP beads BioLayer is replicating this success both by taking on new potential clients for Mix&Go™ amongst the large and growing stable of Luminex licensees, while at the same time extending the Mix&Go™ product line to include improved varieties such as a promising new prototype product code-named "SLR" (Solution Ligation Reagent).

Mix&Go™

Mix&Go™ is a mixture of metal ion complexes developed by BioLayer that can be coated directly onto a customer's immunoassay surface using a rapid 2-step procedure. It works by gently but firmly binding native antibodies in a simple and reproducible way – this reduces performance variability and improves assay sensitivity and specificity, especially when used on low acid surfaces such as those found on xMAP beads.

"SLR"

SLR is a highly purified derivative of Mix&Go™ which has shown even better assay performance characteristics in in-house experiments when used to bind antibodies to xMAP beads.

The company is now preferentially working with a handful of companies deploying SLR on to the Luminex xMAP platform and in so doing expects to report significant progress, especially with these new clients, in the months to come.

Financial Result for the Year to 30 June 2007

The net consolidated operating loss of the economic entity for the financial year, after providing for income tax, amounted to \$1.56 million compared with a loss for the 2006 year of \$6.2 million.

Of the reported loss in 2006, \$3.6 million related to the transition to A-IFRS and the business combination undertaken during the year.

BioLayer Corporation Limited ABN 75 070 028 625
Unit 4, 26 Brandl Street, Eight Mile Plains QLD 4113
Phone 07 3219 0085 Fax 07 3219 0553 Email contact@biolayercorp.com
Web www.biolayercorp.com

The 2007 operating result reflected essential spending of \$2.23 million on Research & Development and \$0.38 million on Business Development activities of the company.

Future Directions

Over and above its core coating business, the Company is now looking to include new high-value proprietary diagnostic "content" into its product portfolio. This strategy is designed to leverage BioLayer's technological expertise and market reach to broaden the company's business base by developing high-value *in vitro* diagnostic assays of its own in areas of unmet medical need.

The initial focus is to develop tests for neurodegenerative diseases such as Alzheimers and Parkinsons, the #1 and #2 diseases by prevalence in the neurodegenerative disease category.

This strategy builds on an existing agreement with Perth-based Alzhyme to develop a highly sensitive A-beta42 test, a putative Alzheimers biomarker, in blood.

New key appointment

The company recently appointed Dr Nevin Abernethy to head up its Product Development team. Canadian by birth Nevin was awarded his PhD in animal physiology by the University of Toronto in 1989. After working as a Research Officer and lecturer at the University of Melbourne's Department of Veterinary and Pre-Clinical Sciences he moved to Auckland, New Zealand where he was a Research Fellow in the Department of Molecular Medicine at the University of Auckland prior to joining Genesis Research and Development Corp, at the time the largest biotech in New Zealand. When he left Genesis after 11 years Nevin was Senior Investigator responsible for their *In Vivo* Biology and Immunology program. More recently Nevin was Programme Leader at AgResearch Limited, NZ's equivalent of CSIRO, responsible for bio-assay development.

Nevin is named as an inventor on a number of patents in the area of therapeutics and immunological diseases, has published numerous peer reviewed papers in related areas, and has demonstrated expertise in leading product development programs similar to those of interest to BioLayer. He will be a valuable addition to the scientific team.

Funding and Capital Requirements

BioLayer successfully raised \$1,300,000 via converting notes issued to major shareholders in December 2006 which, together with grant income (\$2,670,000 over 2 years from AusIndustry, Commonwealth Government and \$800,000 over 2 years from the Queensland Government's "Smart State" initiative) has provided sufficient runway to sustain the company's activities through to mid calendar Q1 2008.

Advisors have been engaged to seek new funding for the company's on-going needs post calendar Q1 2008. These funds will be deployed to:

- commercialise the company's core coating technologies across a broad range of immunoassay platforms
- acquire and develop assay "content" in the area of neurodegenerative disease via collaboration or in-licensing from third parties, and
- continue its "abiotics" research program in a bid to develop medically important bio-mimetic surfaces which will generate the products of the future



David Beins
CEO
BioLayer Corporation Limited

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Results for announcement to the market

These accounts are in the process of being audited, and the directors do not anticipate any material changes. It is anticipated that the statutory accounts and audit will be completed and lodged in the ordinary course by 28 September 2007.

Current Reporting Period

Previous Reporting Period

Year ended 30 June 2007

Year ended 30 June 2006

	up/down			\$
Revenue from ordinary activities	up	114%	to	1,918,631
Loss from ordinary activities after tax attributable to members	down	75%	to	(1,563,497)
Net loss for the period attributable to members	down	75%	to	(1,563,497)

Dividends / distributions	Amount per security	Franked amount per security
Interim dividend	0.0c	0.0c
Final dividend	0.0c	0.0c

The Directors do not propose or recommend the payment of a dividend

Record date for determining entitlements to the dividend

Not Applicable

Retained earnings	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$
Accumulated losses at the beginning of the financial year	(15,153,975)	(8,868,897)
Interest on converting note	(108,889)	(39,954)
Reversal of lapsed share options	17,094	
Net loss for the year	<u>(1,563,497)</u>	<u>(6,245,124)</u>
	<u>(16,809,267)</u>	<u>(15,153,975)</u>
Net tangible assets	As at 30 June 2007	As at 30 June 2006
Net tangible asset backing per ordinary share (AU Dollars)	\$ 0.02	\$ 0.02



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Consolidated Income Statement.

	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
Sales	39,701	154,794
Cost of sales	-	-
Gross profit	<u>39,701</u>	<u>154,794</u>
Other revenue from ordinary activities	1,878,930	743,207
Selling and distribution expenses	(386,769)	(804,450)
Administration expenses	(560,815)	(480,443)
Borrowing costs	(300,592)	(243,288)
Research and development expenses	(2,230,780)	(2,034,184)
Impairment of financial assets	-	(2,184,876)
Impairment of goodwill	-	(1,158,589)
Other expenses from ordinary activities	(3,172)	(237,295)
Loss from ordinary activities before income tax benefit	<u>(1,563,497)</u>	<u>(6,245,124)</u>
Income tax benefit relating to ordinary activities	-	-
Loss from ordinary activities after income tax benefit	<u>(1,563,497)</u>	<u>(6,245,124)</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>(1,563,497)</u>	<u>(6,245,124)</u>
Basic earnings per share (cents per share)	(2.3)	(9.7)
Diluted earnings per share (cents per share)	(2.2)	(9.6)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	73,112,692	64,257,928
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	76,746,695	65,076,833



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Notes to the Income Statement

	Year ended 30 June 2007	Year ended 30 June 2006
	\$	\$
1 Analysis of Revenues		
Revenues from operating activities		
Sale of goods	39,701	154,794
Other revenue from operating activities	1,816,941	654,810
Revenues from non-operating activities		
Interest - other corporations	61,989	86,384
Other revenue from non-operating activities	0	2,013
	<u>1,918,631</u>	<u>898,001</u>
2 Net revenue / (expense) since the beginning of the reporting period resulting from deductions from the carrying amounts of assets		
Depreciation of non current assets	214,959	303,489
Amortisation of non current assets	0	76,698
	<u>214,959</u>	<u>380,187</u>
3 Large and unusual items included in the stated loss from ordinary activities		
Charging as an expense to profit and loss		
Impairment of financial assets	0	2,184,876
Impairment of goodwill	0	1,158,589
	<u>0</u>	<u>3,343,465</u>



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Consolidated Balance Sheet

	As at 30 June 2007 \$	As at 30 June 2006 \$
CURRENT ASSETS		
Cash assets	1,281,123	1,293,823
Receivables	173,445	127,693
Other	28,066	6,150
TOTAL CURRENT ASSETS	<u>1,482,634</u>	<u>1,427,666</u>
NON-CURRENT ASSETS		
Property, plant and equipment	475,930	480,951
TOTAL NON-CURRENT ASSETS	<u>475,930</u>	<u>480,951</u>
TOTAL ASSETS	<u>1,958,564</u>	<u>1,908,617</u>
CURRENT LIABILITIES		
Payables	331,482	245,497
Provisions	77,221	71,363
TOTAL CURRENT LIABILITIES	<u>408,703</u>	<u>316,860</u>
NON-CURRENT LIABILITIES		
Interest bearing liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>408,703</u>	<u>316,860</u>
NET ASSETS	<u>1,549,861</u>	<u>1,591,757</u>
EQUITY		
Contributed equity	18,359,129	16,745,732
Accumulated losses	<u>(16,809,268)</u>	<u>(15,153,975)</u>
TOTAL EQUITY	<u>1,549,861</u>	<u>1,591,757</u>



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Consolidated statement of cash flows.

	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,820,480	853,872
Payments to suppliers and employees	(2,863,273)	(3,348,285)
Borrowing costs	(751)	(807)
Interest received	61,989	86,384
Net cash (used in) operating activities	<u>(981,555)</u>	<u>(2,408,836)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for investment in controlled entities	-	(165,919)
Proceeds from sale of business	-	61,000
Proceeds from sale of intellectual property	-	66,000
Payment for property, plant and equipment	(209,936)	(263,094)
Net cash (used in) investing activities	<u>(209,936)</u>	<u>(302,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from share issues	-	4,256,000
Proceeds from issue of converting notes	1,244,149	-
Capital raising costs	-	(329,757)
Converting note distributions	(65,358)	(39,954)
Repayment of borrowings	-	(28,686)
Net cash (used in) provided by financing activities	<u>1,178,791</u>	<u>3,857,603</u>
Net increase (decrease) increase in cash held	(12,700)	1,146,754
Opening cash brought forward	1,293,823	147,069
Closing cash carried forward	<u>1,281,123</u>	<u>1,293,823</u>



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	As at 30 June 2007 \$	As at 30 June 2006 \$
Reconciliation of cash.		
Cash on hand	712	446
Cash at bank	49,775	6,921
Deposit at call	1,230,636	1,286,456
	<u>1,281,123</u>	<u>1,293,823</u>
Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	(1,563,497)	(6,245,124)
Non Cash Items		
Depreciation	214,959	303,489
Amortisation	-	76,698
Net Loss on disposal of non current assets	-	66,178
Profit on sale of intellectual property	-	(60,000)
Interest on convertible notes	(81)	241,399
Doubtful debts	-	264
Impairment of goodwill	-	1,158,589
Impairment of financial assets	-	2,184,876
Options issued	42,889	186,419
Guarantors Fees	300,000	-
Changes in assets & liabilities		
(Increase) / decrease in trade debtors	(45,752)	(142,264)
(Increase) / decrease in other current assets	(21,916)	40,160
(Increase) in trade creditors & accruals	85,985	(284,933)
(Decrease) / increase in other current liabilities	5,858	65,413
Net Cash flow from operations	<u>(981,555)</u>	<u>(2,408,836)</u>



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Supplementary information.

	Year ended 30 June 2007 \$	Year ended 30 June 2006 \$
<u>Segment Analysis</u>		
Revenue - External Sales		
Continuing operations - materials science	39,701	154,795
	<u>39,701</u>	<u>154,795</u>
Revenue - Total Revenues		
Continuing operations - materials science	1,878,930	775,998
Discontinued operations - medical devices	-	122,003
	<u>1,878,930</u>	<u>898,001</u>
Trading Result		
Continuing operations - materials science	(1,563,497)	(5,869,336)
Discontinued operations - medical devices	-	(375,788)
	<u>(1,563,497)</u>	<u>(6,245,124)</u>
Income Tax Expense	-	-
Net Loss	<u>(1,563,497)</u>	<u>(6,245,124)</u>
Assets		
Continuing operations - materials science	1,958,564	1,908,617
	<u>1,958,564</u>	<u>1,908,617</u>
Liabilities		
Continuing operations - materials science	408,703	316,860
	<u>408,703</u>	<u>316,860</u>