



# **BioLayer Corporation Limited**

13 September 2006

Company Announcements Office  
Australian Stock Exchange  
Level 6, 20 Bridge Street  
Sydney NSW 2000

## **Financial Results for the year ending 30 June 2006 (ASX : BLS)**

BioLayer Corporation Limited ("BioLayer") attaches its Appendix 4E for the year ending 30 June 2006.

### ***Review of the year***

The year has been one of restructuring and consolidation during which the Company has established a solid platform for growth.

Foreshadowed in last year's annual report the integration of Bio-Layer Pty Limited into the SSH Medical Limited business was a key priority. This progressed smoothly throughout the year, culminating in a reconstitution of the Board at the beginning of the 2006/07 financial year in order to bring in skills that better reflect the requirements of the new business.

The fully merged entity, now called BioLayer Corporation Limited, is focussed on its key competencies in materials science technologies which have wide application in human health, such as diagnostic testing for critical diseases like cancer, heart disease and viral infections, as well as in pharmaceutical research and manufacturing.

The first diagnostics segment targeted, called immunoassay, is a \$US 6.0 billion global business which BioLayer is now addressing.

This has led the Company into detailed discussions with a number of large multinational diagnostic and life science manufacturers with a view to joint development projects, the first step on the way to downstream licensing and royalty agreements.

In January 2006, the Company entered into the first of such an agreement with a US life science company with a market capitalisation of approximately \$US 1 billion. This development and marketing agreement allows BioLayer to incorporate its technology into biological research products, the precursor to a diagnostic product, currently on the market. This agreement is milestone based and BioLayer successfully completed the first milestone in May 2006.

The Board anticipates several additional contracts being entered into as these discussions progress to commercial fruition over the coming 12 months.

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### **Financial Result for the year to 30 June 2006**

The net consolidated operating loss of the economic entity for the financial year, after providing for income tax, amounted to \$6.2 million compared with a loss for the 2005 year of \$2.2 million.

Of the reported loss, \$3.6 million related to the transition to A-IFRS and the business combination undertaken during the year, including the impairment of the investment in Cosmedics Australia Limited. Excluding these one-time adjustments, the operating loss was \$2.6 million.

### **Future Direction**

On 1<sup>st</sup> July 2006 BioLayer embarked on an achievable ambitious 3-year plan to establish and build a robust business, generating a reliable income stream, with cash flow break even targeted for late 2008.

While executing the 3-year plan BioLayer will also, over the next 12 months, be examining various avenues for accelerating growth over the longer term.

Options to be investigated lie primarily within areas of human health that are enabled by fully synthetic bio-active surface components combined to create robust, consistent and cost effective materials with valuable medical applications.

The Company has termed this "abiotics" and a research program is already underway to investigate and exploit this exciting new paradigm in materials science.

Potential applications for abiotics include:

- **Bioseparations**, a \$US 10 billion market encompassing products used in pharmaceutical research, bio-therapeutics manufacture, and for removing infectious agents and other impurities from blood.
- **Biomarker discovery** to identify targets correlating to human disease. When medically validated biomarkers are used to aid in diagnosis and to monitor patients to determine their response to therapy.
- **In Vivo applications**, a \$US 20 billion market encompassing implantable medical devices with specialized surfaces that bind and release drugs, in-dwelling biosensors such as glucose monitors for diabetics, biocompatible materials, encapsulated tissue grafting technologies and biodegradable coatings.

### **Capital Requirements**

As reported in the attached Appendix 4E, the Company maintained cash reserves of \$1.294 million as at 30 June 2006. Without the initiatives taken by the company as set out below, this cash would be exhausted by early November 2006. The cash raised at the end of last year was consumed faster than anticipated due to the delay in anticipated award and receipt of grant money, higher than anticipated transaction costs and revenue being generated more slowly than anticipated by prior management.

The Company has now built momentum, particularly in its business development function, which is already showing pleasing results. It is expected that this activity will lead to revenue generating deals to be announced as and when appropriate.

Given the above, the Board has been working hard on the on-going capital needs of the Company as foreshadowed in an earlier announcement. It is envisioned that these needs will be met by cash raised from the sources outlined below:

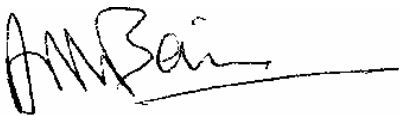
**a. Grant**

The Company has just been advised that it has been awarded (subject to documentation) a government grant totalling \$2.67 million over 2 years, the details of which will be announced as and when final documentation has been executed and confidentiality obligations are satisfied; and

**b. Fund Raising**

The Company has also been in discussion with major shareholders seeking funding to supplement its operational requirements both in the short and medium term. As a result of these discussions, the Company has been offered and is currently reviewing and considering the terms of a potential private placement. An announcement will be made as and when the Board determines to proceed and the terms have been agreed. Such terms will be submitted to shareholders for approval as may be necessary.

The Board is confident the new capital raised as above, if successfully concluded in the quantum desired, will be sufficient to fund the operational requirements of the Company in the longer term while the anticipated development contracts with diagnostic customers are secured thereby generating operational revenue which will begin to materially contribute to the financial resources of the company going forward.

A handwritten signature in black ink, appearing to read "David Beins", with a horizontal line extending to the right from the end of the signature.

David Beins  
CEO  
BioLayer Corporation Limited



## BioLayer Corporation Limited

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### Appendix 4E, Preliminary Final Report

#### 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 29 September 2006.*

Current Reporting Period

Previous Reporting Period

Year ended 30 June 2006

Year ended 30 June 2005

	up/down			\$
Revenue from ordinary activities	down	11%	to	898,001
Loss from ordinary activities after tax attributable to members	up	180%	to	(6,245,124)
Net loss for the period attributable to members	up	180%	to	(6,245,124)

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 2006	Year ended 30 June 2005
	\$	\$
Accumulated losses at the beginning of the financial year	(8,868,897)	(6,637,520)
Interest on converting note	(39,954)	-
Net loss for the year	(6,245,124)	(2,231,377)
	<u>(15,153,975)</u>	<u>(8,868,897)</u>
Net tangible assets	As at 30 June 2006	As at 30 June 2005
Net tangible asset backing per ordinary share (AU Dollars)	\$ 0.02	-\$ 0.11



## BioLayer Corporation Limited

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### Appendix 4E, Preliminary Final Report

#### **BioLayer Corporation Limited**

Appendix 4E, preliminary final report

Consolidated statement of financial performance.

	Year ended 30 June 2006 \$	Year ended 30 June 2005 \$
Sales	154,794	94,650
Cost of sales	-	-
Gross profit	<u>154,794</u>	<u>94,650</u>
Other revenue from ordinary activities	743,207	909,393
Production expenses	-	-
Selling and distribution expenses	(570,416)	(310,601)
Occupancy expenses	(349,883)	(306,778)
Administration expenses	(930,756)	(365,637)
Borrowing costs	(243,288)	(927,944)
Research and development expenses	(1,468,022)	(1,077,210)
Impairment of financial assets	(2,184,876)	-
Impairment of goodwill	(1,158,589)	-
Other expenses from ordinary activities	(237,295)	(247,250)
Loss from ordinary activities before income tax benefit	<u>(6,245,124)</u>	<u>(2,231,377)</u>
Income tax benefit relating to ordinary activities	-	-
Loss from ordinary activities after income tax benefit	<u>(6,245,124)</u>	<u>(2,231,377)</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b><u>(6,245,124)</u></b>	<b><u>(2,231,377)</u></b>
Basic earnings per share (cents per share)	(9.7)	(4.7)
Diluted earnings per share (cents per share)	(9.6)	(4.7)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	64,257,928	47,778,874
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	65,076,833	47,778,874



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Notes to the statement of financial performance

- 1 During the year, the Company was engaged in a reverse acquisition with Brisbane based Bio-Layer Pty Limited. As a result of this transaction and the application of the new accounting standard AASB3 Business Combinations, the consolidated accounts now represent a continuation of the accounts of Bio-Layer Pty Limited rather than a continuation of the accounts of BioLayer Corporation Limited (previously SSH Medical Limited).

Because these accounts represent a continuation of the accounts of Bio-Layer Pty Limited, users of this financial report must be aware that the comparative 'economic entity' numbers are those of Bio-Layer Pty Limited, and in no way compare to the consolidated financial results of BioLayer Corporation Limited (formerly SSH Medical Limited) published in prior financial reporting periods.

2	Analysis of Revenues	<b>Year ended 30 June 2006</b>	<b>Year ended 30 June 2005</b>
		\$	\$
	<b>Revenues from operating activities</b>		
	Sale of goods	154,794	94,650
	Other revenue from operating activities	654,810	903,501
	<b>Revenues from non-operating activities</b>		
	Interest - other corporations	86,384	5,892
	Other revenue from non-operating activities	2,013	0
		<u>898,001</u>	<u>1,004,043</u>
3	Net revenue / (expense) since the beginning of the reporting period resulting from deductions from the carrying amounts of assets		
	Depreciation of non current assets	303,489	250,216
	Amortisation of non current assets	76,698	241,199
		<u>380,187</u>	<u>491,415</u>
4	Large and unusual items included in the stated loss from ordinary activities		
	Charging as an expense to profit and loss		
	Impairment of financial assets	2,184,876	-
	Impairment of goodwill	1,158,589	-
		<u>3,343,465</u>	<u>-</u>



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### Appendix 4E, Preliminary Final Report

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Consolidated statement of financial position.

	As at 30 June 2006 \$	As at 30 June 2005 \$
<b>CURRENT ASSETS</b>		
Cash assets	1,293,823	147,069
Receivables	127,693	14,835
Other	6,150	23,010
<b>TOTAL CURRENT ASSETS</b>	<u>1,427,666</u>	<u>184,914</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	480,951	502,411
<b>TOTAL NON-CURRENT ASSETS</b>	<u>480,951</u>	<u>502,411</u>
<b>TOTAL ASSETS</b>	<u>1,908,617</u>	<u>687,325</u>
<b>CURRENT LIABILITIES</b>		
Payables	245,497	129,113
Provisions	71,363	42,595
<b>TOTAL CURRENT LIABILITIES</b>	<u>316,860</u>	<u>171,708</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	-	5,759,512
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>-</u>	<u>5,759,512</u>
<b>TOTAL LIABILITIES</b>	<u>316,860</u>	<u>5,931,220</u>
<b>NET ASSETS</b>	<u>1,591,757</u>	<u>(5,243,895)</u>
<b>EQUITY</b>		
Contributed equity	16,745,732	3,625,002
Accumulated losses	<u>(15,153,975)</u>	<u>(8,868,897)</u>
<b>TOTAL EQUITY</b>	<u>1,591,757</u>	<u>(5,243,895)</u>



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### Appendix 4E, Preliminary Final Report

#### BioLayer Corporation Limited

Appendix 4E, preliminary final report

Consolidated statement of cash flows.

	Year ended 30 June 2006 \$	Year ended 30 June 2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	853,872	1,108,254
Payments to suppliers and employees	(3,348,285)	(1,862,832)
Borrowing costs	(807)	(933)
Interest received	86,384	5,892
Net cash (used in) operating activities	<u>(2,408,836)</u>	<u>(749,619)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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	(263,094)	(47,515)
Net cash (used in) investing activities	<u>(302,013)</u>	<u>(47,515)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from share issues	4,256,000	-
Proceeds from issue of converting notes	-	800,000
Capital raising costs	(329,757)	-
Converting note distributions	(39,954)	-
Repayment of borrowings	(28,686)	-
Net cash (used in) provided by financing activities	<u>3,857,603</u>	<u>800,000</u>
Net increase (decrease) increase in cash held	1,146,754	2,866
Opening cash brought forward	147,069	144,203
Closing cash carried forward	<u>1,293,823</u>	<u>147,069</u>



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### Appendix 4E, Preliminary Final Report

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Appendix 4E, preliminary final report

	<b>As at 30 June 2006 \$</b>	<b>As at 30 June 2005 \$</b>
Reconciliation of cash.		
Cash on hand	446	344
Cash at bank	6,921	146,725
Deposit at call	1,286,456	0
	<u>1,293,823</u>	<u>147,069</u>
Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	(6,245,124)	(2,231,377)
<b>Non Cash Items</b>		
Depreciation	303,489	250,216
Amortisation	76,698	241,199
Net Loss on disposal of non current assets	66,178	-
Profit on sale of intellectual property	(60,000)	-
Interest on convertible notes	241,399	927,011
Doubtful debts	264	-
Impairment of goodwill	1,158,589	-
Impairment of financial assets	2,184,876	-
Options issued	186,419	-
<b>Changes in assets &amp; liabilities</b>		
(Increase) / decrease in trade debtors	(142,264)	(3,498)
(Increase) / decrease in other current assets	40,160	(23,010)
(Decrease) in trade creditors & accruals	(284,933)	47,345
(Decrease) / increase in other current liabilities	65,413	42,495
<b>Net Cash flow from operations</b>	<u>(2,408,836)</u>	<u>(749,619)</u>



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### Appendix 4E, Preliminary Final Report

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Appendix 4E, preliminary final report

Supplementary information.

	Year ended 30 June 2006 \$	Year ended 30 June 2005 \$
<u>Segment Analysis</u>		
Revenue - External Sales		
Continuing operations - materials science	154,795	94,650
Discontinued operations - medical devices	-	-
	<u>154,795</u>	<u>94,650</u>
Revenue - Total Revenues		
Continuing operations - materials science	775,998	1,004,043
Discontinued operations - medical devices	122,013	-
	<u>898,011</u>	<u>1,004,043</u>
Trading Result		
Continuing operations - materials science	(5,869,336)	(2,231,377)
Discontinued operations - medical devices	(375,788)	-
	<u>(6,245,124)</u>	<u>(2,231,377)</u>
Income Tax Expense	-	-
Net Loss	<u>(6,245,124)</u>	<u>(2,231,377)</u>
Assets		
Continuing operations - materials science	1,908,617	687,325
Discontinued operations - medical devices	-	-
	<u>1,908,617</u>	<u>687,325</u>
Liabilities		
Continuing operations - materials science	316,860	5,931,220
Discontinued operations - medical devices	-	-
	<u>316,860</u>	<u>5,931,220</u>