

# **BIOLAYER CORPORATION LIMITED**

ABN 75 070 028 625

## **Non-Renounceable Rights Issue**

### **Prospectus**

for an underwritten 1 for 1 non-renounceable rights issue at 5 cents per share  
(together with 1 option to acquire a further share at an exercise price of  
6.5 cents per share for every two (2) shares taken up under this rights issue)

**Closing 5pm (Sydney time)  
4 February 2008**

### **UNDERWRITER**

**Transocean Securities Pty Ltd**

ACN 009 230 120

This Prospectus contains important information for you as a shareholder and requires your immediate attention. If you are in any doubt about its contents or the course of action that you should take, consult your broker or other professional adviser as soon as possible.

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This Prospectus is dated 14 December 2007. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on 14 December 2007. ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted on the basis of this Prospectus later than 5.00pm 1 March 2008.

14 December 2007

Dear Shareholder

BioLayer Corporation Limited ("**BioLayer**") has pleasure in offering you a non-renounceable rights issue of shares at 5 cents per share on the basis of 1 ordinary share for every 1 ordinary share held in BioLayer, pursuant to the terms of this Prospectus. In addition, applicants will also receive 1 option to acquire a fully paid ordinary share, at an exercise price of 6.5 cents, for every two (2) shares taken up by them under this rights issue. The option to acquire a fully paid ordinary share will commence on the date of issue of the options and expire on 1 February 2011.

The Company has previously indicated that it had resources to sustain its operations to the middle of the first quarter of the 2008 calendar year and so this recapitalisation is critical to the Company's future. This rights issue enables BioLayer to develop and grow its activities to the benefit of shareholders going forward. Accordingly your Directors strongly recommend that you support the issue.

BioLayer has continued to keep shareholders abreast of its development activities through the regular issue of ASX releases also posted on the Company's website ([www.bio-layer.com](http://www.bio-layer.com)) that are freely accessible by shareholders. These releases are available to shareholders on request to the Company.

BioLayer has a two part strategic plan in place to bring revenue and value to shareholders :

- Partner with the large international diagnostic companies where BioLayer seeks to incorporate its technology into existing assays. This approach should, if successful, enable BioLayer to obtain early returns through licence fees and royalties from research and development undertaken and benefit from the sales and marketing infrastructure of these partners; and
- Develop and commercialise new proprietary diagnostic tests in areas of identified medical need. Development of such proprietary tests will enable BioLayer to retain a greater proportion of revenue derived from the sale of these tests than from the royalty model referred to above and therefore build greater value into the Company. The initial area of focus is neurodegenerative diseases such as Alzheimer's disease.

BioLayer's surface coatings add value to existing diagnostic products in terms of increased sensitivity, ease of use and reduced cost. They also enable the development of novel products which fulfil unmet needs such as the test for Alzheimer's disease referred to above, a prototype of which is currently undergoing further development by the Company. The intellectual property around these cost effective surface coatings is protected where possible by patent.

Ongoing R&D programs to develop coatings which bind proteins specifically and to discover methods for tagging antibodies with multiple labels is expected to lead to product opportunities in the future.

The proceeds of this rights issue will be used to continue the adaptation of BioLayer's technology to fulfil the needs of its international diagnostic clients and to complete the development of the Alzheimer's test while embarking on development of other disease tests. The funds will also be used in supporting the Company's other key R&D programs as well as defraying the costs of this rights issue.

With the Rights Issue providing the resources to further drive these products and projects, the Company is well poised to achieve its objectives and deliver returns to its shareholders.

Shareholders should note that the allotment and issue of shares to which this Prospectus relates will only be made upon receipt by the Company's share registry of the Entitlement and Acceptance Form accompanying the Prospectus, and otherwise in accordance with the instructions set out in the Prospectus.

Yours sincerely

Bruce Rathie  
Chairman

## 1 INTRODUCTION

BioLayer was originally formed to develop a platform for the rapid design of novel materials for the biotechnology, diagnostics and pharmaceutical industries. BioLayer's current business focus is to enable or significantly improve clinical diagnostic tests for disease detection and health assessment. These improvements are delivered using the application of BioLayer's technology to develop specific cost efficient surface coating products.

BioLayer has commenced a three year plan to commercially establish BioLayer in the immunoassay market sector and to conduct the research and development work necessary to address the broader human health applications.

The three year plan has the following objectives:

- to broaden the range and capability of Mix&Go products for a variety of different immunoassay applications focused towards research systems sold by high volume large diagnostic (*In Vitro* Diagnostic or IVD) companies;
- to commercialise the Mix&Go range of products both in the life science (research) and IVD market segments, with the purpose of generating license fees and royalty income;
- to develop and commercialise novel diagnostic products with high unmet medical need such as for Alzheimer's disease; and
- to develop products which selectively bind proteins other than antibodies, and other medically important molecules.

In selecting projects which BioLayer is prepared to develop through to commercialisation, the Company undertakes a rigorous review of the product and its market to determine potential revenue, market penetration rate and distribution.

## 2 THE ISSUE

BioLayer offers to each of its shareholders 1 fully paid ordinary share ("**New Shares**") for every 1 share already held by the shareholder at 5.00pm (Sydney time) on 27 December 2007, at an issue price of 5 cents per New Share.

In addition, for each New Share subscribed for under this offer, each shareholder will receive, at no cost, one option to acquire a fully paid ordinary share for every two shares issued to them under the offer at an exercise price of 6.5 cents per share, exercisable on or before 5.00pm 1 February 2011 ("**Option**").

The issue is a non-renounceable rights issue, which means that your Entitlement to a New Share is non transferable.

Instructions on the action you can take to accept all or part of your Entitlements is on the rights entitlement and acceptance form accompanying this Prospectus.

## 3 KEY DATES

Announcement of rights issue	14 December 2007
Prospectus lodgement date	14 December 2007
Notice sent to shareholders	17 December 2007
Date for determining Entitlements (record date)	27 December 2007
Prospectus issued to shareholders	3 January 2008
Closing date for acceptances (5.00pm, Sydney time)	4 February 2008
Deferred settlement trading commences	5 February 2008
Shortfall Notification	6 February 2008
Expected date for allotment of New Shares and issue of Options	12 February 2008
Expected date for dispatch of holding statements, and end of deferred settlement trading	12 February 2008
Trading commences on normal (T+3) basis	13 February 2008

The Directors may, with the consent of the Underwriter, vary the closing date for acceptances or vary the allotment and dispatch date. In the case of a variation, the key dates after the closing date will be affected. The Company reserves the right to close the issue at any time and refund acceptance money without interest.

## 4 ASX QUOTATION

The Company shall apply for quotation on ASX of the New Shares and Options offered under this Prospectus not later than 7 days after the date of this Prospectus. If official quotation of those shares or options is not granted by ASX before the expiration of three months after the date of this Prospectus (or such longer period as may be allowed by ASIC) the Company will not allot or issue any New Shares and Options and will repay all subscription moneys within the time prescribed under the Corporations Act, without interest.

## 5 TERMS OF ISSUE

### Accepting your Share Entitlement

The issue price is 5 cents per New Share. For every two New Shares subscribed for you also receive an Option (see below). You may accept all or part of your rights entitlement ("**Entitlement**"), however you may not renounce any of your rights.

### Taking up Your Rights in Full

If you wish to take up your Entitlement in full the accompanying Entitlement and Acceptance Form together with your cheque for the full amount payable as shown on the form should be mailed to reach:-

Registries Limited  
Level 7  
207 Kent Street  
SYDNEY 2000

by no later than 5.00pm Sydney time, 4 February 2008

#### Taking up Your Rights in Part

If you wish to take up only part of your Entitlement, please complete the accompanying Entitlement and Acceptance Form by inserting the number of New Shares for which you wish to accept the Rights Issue. The completed Entitlement and Acceptance Form together with your cheque for the amount representing the shares you apply for should be mailed to reach:-

Registries Limited  
Level 7  
207 Kent Street  
SYDNEY 2000

by no later than 5.00pm Sydney time, 4 February 2008.

#### Payment for New Shares

The New Shares are payable in full by payment of 5 cents per New Share on acceptance as described above. Payment will only be accepted in Australian currency as follows:-

- cheque drawn on and payable at any Australian bank; or
- bank draft drawn on and payable at any Australian bank.

Cheques or bank drafts should be made payable to *BioLayer Corporation Limited Application Account* and crossed "Not Negotiable".

Shareholders are asked not to forward cash. Receipts for payment will not be issued.

#### Options

In addition to the rights to acquire New Shares offered in this Prospectus, each shareholder will receive one Option to acquire one fully paid ordinary share for every two New Shares taken up under this offer. Each Option has an exercise price of 6.5 cents and must be exercised on or before 5.00pm 1 February 2011.

#### Deciding not to Accept all or Part of Your Rights

New Shares not accepted will revert to the Underwriters to the issue and you will receive no benefit. It is therefore important that you take action to accept your Entitlement in accordance with the instructions above and on the back of the accompanying Entitlement and Acceptance Form.

The closing date for acceptances is 5.00pm (Sydney time) on 4 February 2008.

Fractional Entitlements will be rounded up to the nearest whole number of shares. Your Entitlement is shown in the personalised rights entitlement and acceptance form accompanying this Prospectus.

If a rights entitlement and acceptance form does not accompany this Prospectus, please contact the Company's share registry at the above address or on telephone number (02) 9279 0677.

#### Entitlements of Directors of BioLayer

Directors Bruce Rathie and Carmel Hillyard or their related entities each hold 20,000 and 15,000 ordinary shares, respectively, in the Company.

Both Mr Rathie and Dr Hillyard have indicated their intention to take up their full Entitlement to New Shares under the rights issue.

#### Rights Attaching to New Shares

The New Shares to be issued under this Prospectus are fully paid ordinary shares in the Company. The New Shares will rank equally in all respects with, and shall have the same rights as, the existing ordinary shares.

The rights attaching to the shares in the Company including New Shares issued under this Prospectus are set out in the Company's constitution which is available for inspection at the Registered Office of the Company. Those rights are summarised in Section 9 of this Prospectus.

#### Underwriting

The issue is underwritten by the Underwriter subject to the Underwriting Agreement (see *Additional Information at Section 9 of this Prospectus*).

#### Overseas Shareholders

The offer of New Shares in this Prospectus will not be made to shareholders with registered addresses in countries other than Australia and New Zealand. BioLayer considers it would be unreasonable to extend the offer to Shareholders in other jurisdictions given the small number of shareholders in each place and the cost of complying with local regulations in those countries.

If applicable, except for Australian and New Zealand shareholders, this Prospectus will be sent to other shareholders ("Overseas Shareholders") for information only and together with a notice advising that no offer is made to them. This Prospectus does not constitute an offer to Overseas Shareholders, or to any person to whom it would not be lawful to make such an offer.

## 6 EFFECT OF THE ISSUE

#### Proceeds

BioLayer will use the proceeds of this issue to provide working capital for the following purposes:-

- develop new formulations of Mix&Go and characterise further existing formulations;
- develop new polymers that will be used to coat platform surfaces so as to complement the Mix&Go formulations specifically;
- develop its own novel assays;
- pursue new approaches for improving immunoassays;
- continue joint research entitled "*Smarter Diagnostics through Selective Chemical Tagging*" which has been initiated between BioLayer and the University of Queensland's Institute of Molecular Bioscience;
- continue the Company's abiotics research program;

- commercialise those projects involving the Luminex and other immunoassay platforms;
- defray the costs of the rights issue.

The proceeds of this issue will be applied as follows:-

	A\$
Working capital/continuing development of projects (approx)	3,283,827
Estimated costs of the issue (inclusive of GST)*	449,825
<b>Total</b>	<b>3,733,652</b>

\*The Company should be entitled to an input tax credit in respect of GST payable by it.

## Effect of Share Issue

The issue is a pro rata issue to shareholders. Shareholders who take up their full rights entitlement will not have their percentage shareholdings in the Company diluted. New Shares that are not taken up by current shareholders will be made available to the Underwriter who may offer those New Shares to existing shareholders, or investors other than existing shareholders.

The percentage shareholdings of shareholders who do not exercise all or part of their rights will be diluted.

## Effect on Capital Structure

	Number of shares
Issued capital as at 14.12.2007	74,673,052
Fully paid ordinary shares to be issued under this rights issue	74,673,052
Fully paid ordinary shares issued on conversion of convertible notes (approx) <sup>1</sup>	28,335,890
<b>Issued capital after the rights issue (approx)</b>	<b>177,681,994</b>

  

	Number of Options
Options to be issued pursuant to this Prospectus	37,336,526
Existing options on issue <sup>2</sup>	10,687,784
Options Issued to Convertible Note Holders whose notes mandatorily convert <sup>3</sup>	28,335,890
Options to issue to Underwriter at completion of rights issue <sup>4</sup>	25,413,705
<b>Total options on issue (approx)</b>	<b>101,773,905</b>

Notes:

- 1 The Company has 1,300 convertible notes on issue with a face value of \$1,000 per note. The notes mandatorily convert into ordinary shares if the Company raises at least \$3.5 million. As the Company will raise approximately \$3.7 million under the rights issue these notes will convert. Under the formula for conversion approximately 28,335,890 ordinary shares will issue on conversion of the notes and be issued at 5 cents per share.

- 2 Each of these options entitles the holder upon exercise to one fully paid ordinary share in the capital of the Company at prices ranging from 16 cents per share to 65 cents per share
- 3 The terms of the convertible notes also provide that on conversion a note holder will be issued with 1 option for every 2 shares issued on conversion, with each option exercisable at a 10% premium to the price at which shares are issued on conversion of the notes. Additionally the Company will issue to the holders of convertible notes on the conversion of their notes, a further option for every 2 shares issued on conversion, with an exercise price of 6.5 cents per option. Thus approximately 14,167,945 options will be exercisable at 5.5 cents per share and 14,167,945 options will be exercisable at 6.5 cents per share.
- 4 At the conclusion of this rights issue, the Underwriter will receive, in consideration for the provision of underwriting services and other investment banking services to the Company, options in the Company at an exercise price of 6.5 cents per share, with the total amount of options representing 10% of the fully diluted share capital of the Company at the time of issue.

## Pro Forma Consolidated Balance Sheet

To illustrate the effect of the Offer on the Company, the pro forma consolidated statement of financial position below has been prepared based on the audited 30 June 2007 consolidated statement of financial position. The statement shows the effect of the rights issue as if it had been made on 30 June 2007 (and taking into account its anticipated costs).

The accounting policies adopted in preparation of the pro forma consolidated statement of financial position are consistent with the policies adopted for the year ended 30 June 2007.

	Audited Balance Sheet at 30th June 2007	Rights Issue	Pro-forma Balance Sheet at 30th June 2007
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	1,281,123	3,283,827	4,564,950
Receivables	173,445		173,445
Other	28,066		28,066
<b>TOTAL CURRENT ASSETS</b>	<b>1,482,634</b>	<b>3,283,827</b>	<b>4,766,461</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	475,930	0	475,930
Financial assets	0	0	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>475,930</b>	<b>0</b>	<b>475,930</b>
<b>TOTAL ASSETS</b>	<b>1,958,564</b>	<b>3,283,827</b>	<b>5,242,391</b>
<b>CURRENT LIABILITIES</b>			
Payables	331,482	0	331,482
Provisions	77,221	0	77,221
<b>TOTAL CURRENT LIABILITIES</b>	<b>408,703</b>	<b>0</b>	<b>408,703</b>
<b>TOTAL LIABILITIES</b>	<b>408,703</b>	<b>0</b>	<b>408,703</b>
<b>NET ASSETS</b>	<b>1,549,861</b>	<b>3,283,827</b>	<b>4,833,688</b>
<b>EQUITY</b>			
Contributed equity	18,359,128	3,283,827	21,642,955
Accumulated losses	-	0	-
<b>TOTAL EQUITY</b>	<b>1,549,861</b>	<b>3,283,827</b>	<b>4,833,688</b>

## 7 BIOLAYER'S PLAN

BioLayer's technology has been and is currently incorporated into immunoassay products sold in the Life Science research market.

With this as a base the Company commenced work with global IVD companies such as Beckman Coulter Inc. to incorporate its coatings into their immunoassay platforms which are widely distributed in the routine clinical diagnostics market.

Due to the substantial progress of these projects clients are continuing to commit resources to BioLayer's technology and investing the time and funds necessary to validate its performance on their respective immunoassay platforms.

In 2008, BioLayer will narrow its short-term focus onto customer projects which might be brought to timely commercial fruition such as those involving the Luminex platform, and for the mid to longer term to concentrate on working with the platforms from major players in the global diagnostic marketplace where the returns are potentially higher.

This will see the Company undertake the following specific commercialisation activities:

- **New Immunoassay Coatings for Multiplexing**

Multiplexed assays, such as those based on Luminex's xMAP technology, are an exciting and growing segment of the biomarker discovery market which is likely to spill over into routine diagnostic use as the assays mature and attain clinical validation.

New Mix&Go formulations which confer incremental performance benefits to Luminex assays, will allow BioLayer to tap further into this growing market opportunity when fully developed.

A number of new feasibility studies have already commenced in this multiplexing area which are expected to progress during the year.

- **IVD Market Place**

BioLayer's close collaborations with our IVD partners have provided important insight into customisation of the company's technology for these mainstream immunoassay platforms.

In the 2008 calendar year BioLayer intends to leverage this knowledge with the on-going projects from the calendar 2007 year and will continue to foster the good relationships already established with the key diagnostics players in the sector as well as seeking out new relationships where possible.

- **Biomarker Assays**

As an adjunct to the above the Company is embarking on a new program to develop biomarker assays of its own.

As an initial focus BioLayer has identified neurodegenerative diseases, such as Alzheimer's disease and Parkinson's Disease, as candidates – both are incurable and growing contributors to morbidity and mortality in the Western world.

Intense research efforts, especially by pharma companies, to find a 'cure' in the face of current therapy limitations is expected to generate high initial demand for effective biomarker assays such as those BioLayer seeks to develop.

To this end BioLayer is already working with Perth company Alzhyme to develop an ultrasensitive assay for the beta amyloids, a putative blood biomarker for Alzheimer's Disease.

While Alzheimer's disease remains the immediate priority the Company will continue to seek other collaborations actively in this and related areas.

Shareholders should refer for further detail to the Company's 2007 Annual Report, particularly the Chairman's Report at page 2 and the CEO's report at page 4.

## 8 RISK FACTORS

Shareholders should be aware that accepting their Entitlement involves various risks which can be broadly categorised into general investment risks, and specific business risks.

The following summary explains some of these risks, however shareholders should read this Prospectus in its entirety and consult their professional advisers before accepting their Entitlement.

Neither BioLayer, nor its Directors, nor any of its professional advisers give any form of guarantee on future dividends, return on capital or the price at which BioLayer's shares might trade on the ASX.

### **General Investment Risks**

These are risks of investment which are considered beyond the control of the Company.

- the health of local, state, national and international economies
- changes in accounting standards
- movements in local and international stock markets
- adverse currency movements
- movements in interest rates
- overcoming barriers to commercialisation

## Specific Business Risks

The Company's performance may be affected by various business risks including:

### 1 Credibility

BioLayer is a relatively new market entrant and the technology it possesses is relatively untried. To overcome this, BioLayer has engaged, subject to completion of this Rights Issue, the services of consultant (Dr Robert Gilmour through Bodyworks Holdings Limited) with US experience and strong business development capabilities.

### 2 Regulatory Approval

BioLayer products may need to pass government approval processes for use in clinical diagnostics, which can have a potential duration of 1-2 years. To overcome this, BioLayer customers will work with products in the drug discovery research marketplace until regulatory approval for diagnostic use is attained.

### 3 Competition

BioLayer's strategy is to develop 'biologically smart' polymeric surfaces. As such, it is the interface between two types of companies:

- Producers of materials such as beads, microplates and microarrays; and
- Companies that produce biological capture agents and/or assay kits.

Both types of companies are potential customers as well as competitors. Most companies developing immunoassays purchase standard materials and engineer the solution chemistry to optimise their assays. Very little emphasis has been placed on the underlying materials themselves or their contribution to the assay being developed.

### 4 Intellectual Property

BioLayer has extensive patent protection for its technology, however there is risk of intellectual property rights being infringed and copied in a jurisdiction in which the patents are not recognised or easily enforceable.

### 5 The Management Team

The skills of the chief executive officer, the scientists and the management team will be central to the success of the Company. If the scientists are incapacitated, there may be a delay in bringing a product to market.

While the chief executive officer is retained under a long term contract, should he become incapacitated or in some other way cease his involvement with the Company, its performance could be adversely affected.

### 6 Capital Requirements

While the Company believes it will have sufficient funds after completion of the rights issue to pursue its existing business plan for in excess of 12 months, the Company will need to raise additional capital from equity or debt sources going forward. There can be no assurance that the Company will be able to raise such capital on favourable terms.

### 7 Legal Proceedings

Although no legal proceedings are currently on foot, legal proceedings can arise from time to time particularly regarding patent and intellectual property infringements.

## 9 ADDITIONAL INFORMATION

### Statutory Information

BioLayer is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, BioLayer is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

Copies of documents lodged by BioLayer under these obligations may be obtained from, or inspected at, an office of ASIC.

While acceptances remain open, BioLayer will provide, free of charge, to any shareholder who asks for it, a copy of all or any of the following documents:-

- the annual financial report for the year ended 30 June 2007;
- any continuous disclosure notices lodged by the Company since lodgement of the annual financial report and before lodgement of this Prospectus with ASIC on 14 December 2007.

All requests for copies of the above documents should be addressed to Mr Michael Moloney, Company Secretary, 4/26 Brandl Street, Eight Mile Plains, Queensland, 4113 (Fax 07 3219 0553, e-mail: [michael.moloney@biolayer.com](mailto:michael.moloney@biolayer.com)).

### Rights and Liabilities attaching to Ordinary Shares

The following is a summary (though not an exhaustive or definitive statement) of the rights, privileges and restrictions which currently attach to ordinary shares and which will attach to the shares being issued under this Prospectus. Full details of the rights attaching to shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's office at 4/26 Brandl Street, Eight Mile Plains, Queensland during normal office hours:-

- Each shareholder is entitled to receive notice of and attend personally, by proxy, attorney or representative, any general meeting of the Company.
- Each shareholder has one vote on a show of hands. On a poll, each shareholder has one vote for each fully paid share.

- Subject to any special rights or restrictions attached to any shares, the profits of the Company which the Directors may from time to time declare as dividends are divisible amongst the shareholders in proportion to the amount paid up on shares held by them.
- If the Company is wound up, shareholders will participate in any excess assets of the Company in proportion to the shares held by them, irrespective of the amounts paid or credited as paid on the shares.
- Subject to the constitution, the Corporations Act and the ASX Listing Rules, ordinary shares are transferable.
- The Directors may, subject to the provisions of the constitution, the Corporations Act and the ASX Listing Rules, allot, grant options over, or otherwise deal with or dispose of, shares in the Company as the Directors think fit.
- Shareholders may from time to time, by special resolution, vary the rights conferred on holders of any of the issued shares or vary the provisions of the constitution.

#### Rights and Liabilities Attaching to Options

The following is a summary (though not an exhaustive or definitive statement) of the rights, privileges and restrictions which shall attach to the Options:

- 1 Option shall be issued for every 2 New Shares taken up under this rights issue;
- each Option shall be issued for no consideration;
- each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 6.5 cents per option;
- Options may be exercised by the holder at any time from their date of issue until their expiry date, being 5.00pm 1 February 2011 ("**Expiry Date**");
- Options must be exercised by delivering a notice of exercise to the Company by the Expiry Date;
- the Company will apply for quotation of the Options on ASX;
- all shares issued upon exercise of the Options will rank equally in all respects with existing ordinary shares of the Company;
- the rights and liabilities attaching to shares issued upon exercise of the Options will be the same as the rights and liabilities attaching to existing ordinary shares of the Company (as summarised above);
- in the event of any reconstruction of the issued capital of the Company, the number of Options or the exercise price of both will be adjusted as appropriate to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation;
- until shares are issued pursuant to the exercise of Options, the holder of an Option shall not participate in dividends or new issues of securities by the Company.

#### CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of New Shares and Options issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares and Options. If you are registered on the Issuer Sponsored subregister, your statement will be despatched by Registries Limited and will contain the number of New Shares and Options issued to you under this Prospectus and a security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to shareholders at the end of any calendar month during which the balance of their shareholding or option holding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

#### Underwriting Agreement

The Company has entered into an Underwriting Agreement with the Underwriter. Under the terms of the Underwriting Agreement, the Underwriter is entitled to a total underwriting fee of 6% (plus GST) of the amount to be raised of approximately \$3,733,362 and a management fee of 1% (plus GST) of the amount to be raised of approximately \$3,733,362. If the Underwriter terminates the Underwriting Agreement as a result of a default by the Company, then the underwriting fee of 6% will be payable by the Company. If the Company terminates the Underwriting Agreement due to:

- the Company deciding to obtain funding from another source other than the Offer; or
- the Company pursuing capital raising or listing on a securities market other than ASX,

the Company must pay a break fee of \$1,000,000 to the Underwriter, plus options equal to 10% of the fully diluted capital of the Company after completion of any transaction that triggers the break fee.

The Company must notify the Underwriter of the number of applications for New Shares which have been received by the shortfall notification date under the Underwriting Agreement. If there has been a shortfall in acceptances, the Underwriter must, subject to the Underwriting Agreement, deliver to the Company, by the Subscription Date as determined in the Underwriting Agreement, applications for New Shares not taken up by the holders of the rights. The Underwriter may appoint sub-underwriters to sub-underwrite the issue.

In addition to the Underwriter's fees, the Company agrees to reimburse the Underwriter for all its reasonable out of pocket expenses, including legal expenses, in relation to the Underwriting Agreement and the Prospectus.

The Company has agreed to conduct the issue in accordance with the dates specified in the timetable set out in the Underwriting Agreement. The Company may vary the dates in the timetable provided the Underwriter consents to the variation. The Company has made a number of representations and warranties to the Underwriter including that this Prospectus complies with the requirements of the Corporations Act and the ASX Listing Rules and that the Company has complied with its continuous disclosure and reporting obligations. Any breach of these warranties provides the Underwriter with a right to terminate the Underwriting Agreement. The Company has also provided undertakings to the Underwriter that for a period of 3 months from the closing date for acceptances, the Company shall not, without the prior written consent of the Underwriter, issue or offer any shares or options in respect of the shares, or issue any convertible note or debenture, other than the conversion of the convertible notes or the exercise of the options on issue described in this Prospectus. The Company has indemnified the Underwriter against losses caused to the Underwriter if these representations and warranties are wrong or if the Company does not comply with the Underwriting Agreement.

The Underwriter may terminate the Underwriting Agreement and be released from its obligations on the happening of any of the events listed below. Except for the first ten events listed below, the Underwriter must first determine that the event has had a materially adverse effect on the rights issue or is likely to create a potential liability for the Underwriter:

- the Company contravenes any law, regulation, authorisation, ruling, consent, judgment, order or decree of any governmental agency;
- the S&P/ASX 200 Share Price Index is at the close of normal trading on a Business Day after the date of Underwriting Agreement 10% or more below its level at the date of the Underwriting Agreement;
- any circumstance arises after the date of the Underwriting Agreement resulting in:
  - (1) the Company being required to repay money received pursuant to the Offer; or
  - (2) persons having a right to return securities issued in connection with the Offer;
- the ASX does not approve listing of all of the New Shares or Options, or such approval is subsequently withdrawn, qualified or withheld, before the issue of the New Shares or Options;
- ASIC gives notice of its intention to hold a hearing under s739 of the *Corporations Act*, applies for an order under Part 9.5 of the *Corporations Act*, or commences any investigation, examination or hearing under Part 3 of the *Australian Securities & Investments Commission Act*;
- an insolvency event occurs or is threatened in respect of the Company;
- the Company alters its constitution without the prior written consent of the Underwriter;
- there are any changes to the board of directors of the Company;
- a Director of the Company is charged with an indictable offence or is disqualified from managing a corporation under Part 2D.6 of the *Corporations Act*;
- any material adverse change occurs in the financial or trading position or performance or in the assets, liabilities, earnings, profits, losses, business, operations or prospects of the Company;
- there is an outbreak of hostilities or an escalation of hostilities or political or civil unrest or a terrorist act is committed involving one or more of Australia, New Zealand, the United Kingdom, the United States of America, the Peoples Republic of China (including Hong Kong), Indonesia or the Middle East;
- the Company is in default under the Underwriting Agreement;
- without the approval of the Underwriter, the Company makes any statement or publishes any notice, circular or advertisement relating to the Company or the Offer which is prejudicial to the Offer;
- any of the following occurs and which has or is likely to have the effect of prohibiting, restricting, regulating or having a material adverse affect on the Offer:
  - (1) the introduction of legislation;
  - (2) the public announcement of proposed legislation or government policy;
  - (3) the adoption of, or announcement of a proposal to adopt, any policy or regulation by ASIC, the Reserve Bank, or any other governmental authority;
- any change or disruption in the national or international political, financial or economic conditions which has or is likely to have an adverse effect on the Offer;
- any representation or warranty in the Underwriting Agreement is or becomes untrue or incorrect.

A copy of the Underwriting Agreement may be inspected at the Company's office at 4/26 Brandl Street, Eight Mile Plains, Queensland.

#### Underwriter's Interests

The Offer is fully underwritten by the Underwriter on the terms summarised above. If there are no applications for New Shares under this Prospectus, if the Underwriter is required to subscribe for the whole of the Shortfall, and if all the options and convertible notes to be issued to the Underwriter were converted into Shares, the Underwriter's voting power in the Company immediately following completion of the Offer, would increase to approximately 53.72%.

The Underwriter intends to enter into sub-underwriting agreements whereby third parties will sub-underwrite most of the Underwriter's underwriting obligations. Accordingly, it is the intention of the Underwriter that the Underwriter's voting power in the Company will be less than 20% following Completion of the Offer.

The Underwriter has beneficial interests in, or agreements to acquire, the following BioLayer securities at the date of this Prospectus:

- (1) 2,390,000 shares representing 1.3% of the voting power in the Company upon completion of the Offer;
- (2) 105 convertible notes convertible into approximately 2,288,790 ordinary shares upon completion of the Offer and options to acquire 2,288,790 ordinary shares – if converted, these securities would represent 2.5% of the voting power in the Company upon completion of the Offer;
- (3) In consideration of the provision of investment banking services to the Company, the Underwriter is being paid a monthly retainer of \$15,000 per month for an initial 6 month period commencing December 2007. In addition, upon completion of the Offer, the Underwriter will be paid an investment banking fee of \$50,000, and the Underwriter will be issued three year options in the Company with an exercise price of 6.5 cents per share that will represent 10% of the fully diluted share capital in the Company upon completion of the Offer. These options are also issuable by the Company if the break fee described above becomes payable to the Underwriter.

In addition, the Underwriter has been granted the right to appoint up to two directors to the board of the Company. As at the date of this Prospectus, the Underwriter has not exercised that right.

### Directors' Interests

Other than as described in this Prospectus, no Director and no firm in which a Director is a partner, has, or has had in the past 2 years, any interest in the formation or promotion of the Company or in any property held or proposed to be acquired by the Company in connection with its formation or promotion or this rights issue and no amount of any kind has been paid or agreed to be paid to any Director or to any firm in which a Director is a partner, either to induce him to become or qualify as a Director or otherwise for services rendered by him or the firm in connection with the formation or promotion of the Company or this rights issue.

The Directors of BioLayer have beneficial interests in BioLayer securities (including beneficial interests of less than 100%) as follows:-

Director	Shares	Options
Bruce Rathie	20,000	Nil
Carmel Hillyard	15,000	Nil
Richard Martin	Nil	Nil
Peter Rayner	Nil	Nil
Tony Evans	Nil	Nil
David Beins	Nil	2,000,000

For the current financial year ending 30 June 2008, the non-executive directors are expected to accrue Directors' fees totalling \$221,300.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### Audit Report

The auditors of the Company observed in their audit report dated 27 September 2007 to the Company's financial statements for the year ending 30 June 2007 that the Company's directors had notes that the Company has limited cash available and was seeking to locate alternative sources of future funding, and noted that unless the Company could successfully finalise these fund raising initiatives there was uncertainty as to whether the Company group would be able to continue as a going concern. The purpose of this underwritten rights issue is to address the limited cash resources of the Company.

### Consents

The Underwriter has given and not withdrawn its consent to be named in this Prospectus as Underwriter of the rights issue.

ClarkeKann has given and not withdrawn its consent to be named in this Prospectus as lawyers to the rights issue.

Grant Thornton has given and not withdrawn its consent to be named in this Prospectus as auditors of the Company.

Registries Limited has given and not withdrawn its consent to be named in this Prospectus as the Share Registry.

Each of the Underwriter, ClarkeKann, Grant Thornton and Registries Limited:

- (1) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement of those parties, other than as specified in this section; and
- (2) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

### Interests of Named Advisers

Other than as described in this Prospectus, no adviser named in this Prospectus has any interest in the promotion or formation of the Company or any property to be acquired by the Company in connection with its formation or promotion or this rights issue and no amount of any kind has been paid or agreed to be paid to any adviser named in this Prospectus for services rendered in connection with the formation or promotion of the Company or this rights issue.

ClarkeKann has acted as lawyers to the Company in connection with this rights issue. ClarkeKann has

received or will receive approximately \$40,000 plus GST for these services plus disbursements.

The Underwriter has received or will receive fees in connection with underwriting the rights issue. Details of these fees are set out under the heading *Underwriting Agreement* in this Section 9.

**10 GLOSSARY**

<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691.
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
<b>BioLayer or Company</b>	BioLayer Corporation Limited ABN 75 070 028 625.
<b>CHESS</b>	Clearing House Electronic Subregister System.
<b>Corporations Act</b>	<i>Corporations Act</i> 2001 (C'th).
<b>Directors</b>	The Directors of the Company.
<b>Entitlement</b>	The rights entitlement of a shareholder as set out in the Entitlement and Acceptance Form accompanying this Prospectus .
<b>Entitlement and Acceptance Form</b>	means the entitlement and acceptance form in respect of the Offer attached to this Prospectus.
<b>GST</b>	Goods and Services Tax.
<b>Listing Rules</b>	The Official Listing Rules of ASX.
<b>New Shares</b>	Fully paid ordinary shares in the capital of BioLayer to be issued pursuant to this Prospectus .
<b>Offer</b>	means this non-renounceable rights issue.
<b>Option(s)</b>	1 option to acquire a fully paid ordinary share, at an exercise price of 6.5 cents, for every two New Shares taken up under this rights issue, such option being issued for nil consideration.
<b>Prospectus</b>	This Prospectus dated 14 December 2007.
<b>Shortfall</b>	has the same meaning as given to it in the Underwriting Agreement dated on or about the date of this Prospectus.
<b>Underwriter</b>	Transocean Securities Pty Ltd ACN 009 230 120.
<b>\$</b>	Australian dollars .

Each of the Directors has consented to the lodgment of this Prospectus under section 720 of the Corporations Act.

This Prospectus is signed for the purposes of section 351 of the Corporations Act.



**David Beins  
Director**

**Corporate Directory****Directors**

Mr Bruce Rathie  
Dr Carmel Hillyard  
Mr Richard Martin  
Mr Peter Rayner  
Dr Tony Evans  
Mr David Beins

**Company Secretary**

Mr Michael Moloney

**Registered Office**

4/26 Brandl Street,  
Eight Mile Plains Qld 4113  
Telephone: (07) 3219 0085  
Website: [www.biolayercorp.com](http://www.biolayercorp.com)

**Underwriter**

Transocean Securities Pty Ltd  
Level 5, 56 Pitt Street  
SYDNEY 2001

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ClarkeKann  
7<sup>th</sup> Floor, HSBC Building  
300 Queen Street  
Brisbane Qld 4000

**Auditors**

Grant Thornton  
Grant Thornton House  
King George Square  
102 Adelaide Street  
Brisbane Qld 4000

**Share Registry**

Registries Limited  
Level 7  
207 Kent Street  
SYDNEY 2000