



BioLayer Corporation Limited

4 February 2008

Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY 2000

Non-Renounceable Rights Issue (“Rights Issue”) for BioLayer Corporation Limited ACN 070 028 025 – Supplementary Prospectus and other matters

Following BioLayer’s recent announcement of its intention to extend the closing date of the Rights Issue, **attached** is the Supplementary Prospectus.

BioLayer has also today entered into a Loan Facility Agreement (“**Agreement**”) with the underwriter to the Rights Issue and varied a term of the Underwriting Agreement dated 14 December 2007 (“**Underwriting Agreement**”), details of which are set out below (and which are addressed in the Supplementary Prospectus).

Loan Facility Agreement

The loan facility is for \$300,000 on the following terms:

- (a) it commences on 4 February 2008 and ends on the date shares and options are issued pursuant to the Rights Issue (“**Loan Term**”);
- (b) interest on outstanding advances accrues at 12% per annum and is capitalised monthly in arrears;
- (c) the loan becomes repayable on the date the shares and options are issued pursuant to the Prospectus;
- (d) if the Rights Issue does not complete for any reason (including without limitation due to any termination of the Underwriting Agreement) the secured money under the loan facility converts into equity at the conversion rate of 5 cents per share with an additional 1 option issued for every 2 shares issued on conversion. Such options will be issued on the same terms as the options to issue pursuant to the Prospectus dated 14 December 2007;
- (e) in addition to the shares and options received in the circumstances referred to at paragraph (d) above, the Underwriter on conversion will receive an additional 1,500,000 options. The terms attaching to these options will be as follows:
 - (i) each option entitles the holder to subscribe for one fully paid ordinary share in the capital of BioLayer at an exercise price of 6.5 cents per option;

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- (ii) options may be exercised at any time prior to the expiration date of 3 years from date of issue;
- (iii) all shares issued upon the exercise of the options will rank equally in all respects with existing ordinary shares of BioLayer;
- (iv) 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 BioLayer;
- (v) in the event of any reconstruction of the issued capital of BioLayer, 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;
- (vi) 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 BioLayer.

Variation to the Underwriting Agreement

The Underwriting Agreement has been varied in the following respects:

- (a) one of the termination events in the Underwriting Agreement dated 14 December 2007 enabled the Underwriter to terminate the Underwriting Agreement if the S&P/ASX 200 Share Price Index after the date of the Underwriting Agreement fell by 10% or more. That termination event has been deleted, and replaced with the following new termination event:

The arithmetic mean of the S&P/ASX 200 of ASX calculated at the close of normal trading on each of four consecutive Business Days commencing at any time after 4 February 2008 is 7.5% or more below its level as at the close of trading on 1 February 2008.

- (b) the Rights Issue timetable in the Underwriting Agreement has been updated to provide for the revised timetable as announced to ASX on 31 January 2008.

For further information contact the Company Secretary, Michael Moloney.

Yours sincerely



Bruce Rathie
Chairman

BioLayer Corporation Limited

ABN 75 070 028 625

SUPPLEMENTARY PROSPECTUS

This document is important and should be read in its entirety together with the Prospectus. If you do not understand any part of this document, you should seek professional advice.

1. Important Information

- 1.1 This is a Supplementary Prospectus intended to be read with the Prospectus dated 14 December 2007 ("**Prospectus**") issued by BioLayer Corporation Limited ("**BioLayer**") relating to 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, together with 1 option to acquire a fully paid ordinary share, at an exercise price of 6.5 cents, for every 2 shares taken up under the rights issue.
- 1.2 This Supplementary Prospectus is dated 4 February 2008 and was lodged with the Australian Securities & Investments Commission ("**ASIC**") on 4 February 2008. Neither ASIC nor the ASX Limited take responsibility for the contents of this Supplementary Prospectus.
- 1.3 Pursuant to Section 719(4) of the Corporations Act, the Prospectus is taken to include this Supplementary Prospectus and must be read together with the Prospectus.
- 1.4 Terms defined in the Prospectus have the same meaning in this Supplementary Prospectus except where otherwise defined in this Supplementary Prospectus.

2. Reason for Supplementary Prospectus

The Supplementary Prospectus has been prepared to:

- (a) change the rights issue timetable to take into account the change in the closing date of the Offer from 4 February 2008 to 20 March 2008; and
- (b) to disclose information on a loan facility agreement entered into by BioLayer with the Underwriter;
- (c) to disclose a variation to the terms of the Underwriting Agreement with the Underwriter; and
- (d) advise certain consequential changes or additional information to the Prospectus.

3. Change of Key Dates

The table of key dates at Section 3 of the Prospectus is deleted and replaced as follows:

<i>Announcement of rights issue</i>	<i>14 December 2007</i>
<i>Prospectus lodgement date</i>	<i>14 December 2007</i>
<i>Notice sent to shareholders</i>	<i>17 December 2007</i>
<i>Date for determining Entitlements (record date)</i>	<i>27 December 2007</i>
<i>Prospectus issued to shareholders</i>	<i>3 January 2008</i>
<i>Closing date for acceptances (5.00pm, Sydney time)</i>	<i>20 March 2008</i>

<i>Deferred settlement trading commences</i>	<i>25 March 2008</i>
<i>Shortfall Notification</i>	<i>26 March 2008</i>
<i>Expected date for allotment of New Shares and issue of Options</i>	<i>1 April 2008</i>
<i>Expected date for dispatch of holding statements, and end of deferred settlement trading</i>	<i>1 April 2008</i>
<i>Trading commences on normal (T+3) basis</i>	<i>2 April 2008</i>

4. Loan Facility Agreement

BioLayer has entered into a loan facility agreement ("**Loan Agreement**") on 4 February 2008 with the Underwriter as lender. Under the Loan Agreement:

- (a) the lender has agreed to provide BioLayer with an unsecured loan facility of \$300,000 which can be drawn down from time to time;
- (b) the loan facility commences on 4 February 2008 and ends on the date shares and options are issued pursuant to the rights issue ("**Loan Term**");
- (c) interest on outstanding advances accrues at 12% per annum and is capitalised monthly in arrears;
- (d) the Loan becomes repayable on the date the shares and options are issued pursuant to the Prospectus;
- (e) if the rights issue does not complete for any reason (including without limitation due to any termination of the Underwriting Agreement) the secured money under the Loan Agreement converts into equity at the conversion rate of 5 cents per share with an additional 1 option issued for every 2 shares issued on conversion. Such options will be issued on the same terms as the options to issue pursuant to the Prospectus;
- (f) in addition to the shares and options received in the circumstances referred to at paragraph (e) above, the Underwriter on conversion will receive an additional 1,500,000 options ("**Additional Options**"). The terms attaching to these options will be as follows:
 - (i) each option entitles the holder to subscribe for one fully paid ordinary share in the capital of BioLayer at an exercise price of 6.5 cents per option;
 - (ii) options may be exercised at any time prior to the expiration date of 3 years from date of issue;
 - (iii) all shares issued upon the exercise of the options will rank equally in all respects with existing ordinary shares of BioLayer;
 - (iv) 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 BioLayer (as summarised in the Prospectus);
 - (v) in the event of any reconstruction of the issued capital of BioLayer, 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;
 - (vi) 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 BioLayer.

5. Variation of the Underwriting Agreement

By Deed of Variation entered into on 4 February 2008 between BioLayer and the Underwriter, the Underwriting Agreement has been varied in the following respects:

- (a) One of the termination events in the Underwriting Agreement dated 14 December 2007 enabled the Underwriter to terminate the Underwriting Agreement if the S&P/ASX 200 Share Price Index after the date of the Underwriting Agreement fell by 10% or more. That termination event has been deleted, and replaced with the following new termination event:

The arithmetic mean of the S&P/ASX 200 of ASX calculated at the close of normal trading on each of four consecutive Business Days commencing at any time after 4 February 2008 is 7.5% or more below its level as at the close of trading on 1 February 2008.

- (b) the rights issue timetable in the Underwriting Agreement was deleted and replaced with the table as set out in Section 3 of this Supplementary Prospectus.

6. Effect of Share Structure

- 6.1 The information set out under the heading 'Effect on Capital Structure' in Section 6 of the Prospectus is deleted and replaced with the following:

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) ¹	28,713,425
Issued capital after the rights issue (approx)	178,059,529²

Number of Options	
Options to be issued pursuant to this Prospectus	37,336,526
Existing options on issue ³	10,687,784
Options Issued to Convertible Note Holders whose notes mandatorily convert ⁴	28,713,425
Options to issue to Underwriter at completion of rights issue ⁵	25,479,726
Total options on issue (approx)	102,217,461⁶

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 28,713,425 ordinary shares will issue on conversion of the notes and be issued at 5 cents per share.
- 2 If the rights issue does not proceed, secured moneys under the loan agreement made between BioLayer and the Underwriter are converted into shares such that the Underwriter will be issued (depending on the extent of draw down under the loan agreement) with up to a further 7,320,000 ordinary shares in the capital of BioLayer resulting in issued capital in BioLayer of approximately 81,993,052 ordinary shares, as detailed in Section 4 of the Supplementary Prospectus.
- 3 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
- 4 Such notes mandatorily convert on completion of the rights issue. 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 14,356,712 options will be exercisable at 5.5 cents per share and 14,356,712 options will be exercisable at 6.5 cents per share.

- 5 *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.*
- 6 *On the conversion of secured moneys under the loan agreement with the Underwriter into shares in the circumstances described in item 2 above, the Underwriter will be issued (depending on the extent of draw down under the loan agreement) with up to 5,160,000 options pursuant to the loan agreement, as detailed in Section 4 of the Supplementary Prospectus..*

7. Underwriter's Interests

In respect of "**Underwriter's Interests**" at Section 9 of the Prospectus, in addition to the beneficial interests in or agreements to acquire BioLayer securities disclosed at that section, if the secured moneys owing pursuant to the Loan Agreement referred to at Section 4 of this Supplementary Prospectus are converted into equity, the Underwriter will be entitled to additional shares and options in BioLayer as disclosed at Section 6 of this Supplementary Prospectus.

This Supplementary Prospectus has been authorised and approved by a unanimous resolution of the directors of BioLayer.

Dated 4 February 2008

A handwritten signature in black ink, appearing to read "David Beins", with a horizontal line underneath it.

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David Beins
Director