

Fluorotechnics Limited  
ACN 099 098 192

# Rights Issue Offer Document

An offer to raise approximately \$1.5m by way of a non-renounceable pro rata offer of 1 New Share for every 11 Shares held at a price of \$0.70 per New Share.

This Offer is partially underwritten

The Offer opens on Wednesday 25 March 2009

**Valid acceptances must be received by 5pm on Wednesday 8 April 2009**

If you are an Eligible Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document you have any questions about the securities being offered under it or any other, matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

## **IMPORTANT NOTICES**

This Offer Document is dated 16 March 2009.

This Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act. This Offer Document is not a prospectus or any other form of disclosure document regulated by the Corporations Act and has not been lodged with ASIC. Accordingly, this Offer Document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus. The information in this Offer Document does not constitute a securities recommendation or financial product advice.

This Offer Document is important and should be read in its entirety before deciding to participate in the Offer. This Offer does not take into account, and this Offer Document has been prepared without taking into account, the investment objectives, financial or taxation situation or particular needs of any Applicant.

Before applying for New Shares, each Applicant should consider whether such an investment, and the information contained in this Offer Document, is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Neither Fluorotechnics, nor any other person guarantees the repayment of capital or the payment of income. Investors should note that the past Share price performance of Fluorotechnics provides no guidance to its future Share price performance.

By returning an Acceptance Form or otherwise arranging for payment for Shortfall Shares in accordance with the instructions on the Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

### **Privacy**

Fluorotechnics collects information about each Applicant provided on an Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's Shareholding in Fluorotechnics.

By submitting an Acceptance Form, you will be providing personal information to Fluorotechnics (directly or by the Share Registry). Fluorotechnics collects, holds and will use that information to assess your Application. Fluorotechnics collects your personal information to process and administer your Shareholding in Fluorotechnics and to provide related services to you. If you do not complete the Acceptance Form in full, Fluorotechnics may reject your Application. Fluorotechnics may disclose your personal information for

purposes related to your Shareholding, including to the Share Registry, Fluorotechnics' related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to the ASX and regulatory bodies. You can obtain access to personal information that Fluorotechnics holds about you. To make a request for access to your personal information held by (or on behalf of) Fluorotechnics, please contact Fluorotechnics through the Share Registry.

### **No Overseas offering**

This Offer Document and the accompanying Acceptance Form does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Offer Document does not constitute an offer to Non-qualifying Shareholders. No action has been taken to lodge this Offer Document in any jurisdiction outside of Australia, or to otherwise permit a public offering of Rights or Shares, in any jurisdiction outside Australia and New Zealand.

This Offer Document is not to be distributed in, and no offer of New Shares is to be made in countries other than Australia and New Zealand.

The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **Definitions, currency and time**

Definitions of certain terms used in this Offer Document are contained in section 6. All references to currency are to Australian dollars and all references to time are to Sydney time, unless otherwise indicated.

### **Entire Agreement**

Subject to this paragraph, the terms contained in this Offer Document constitute the entire agreement among Fluorotechnics and you as to the Offer and your participation in the Offer to the exclusion of all prior representations, understandings and agreements between Fluorotechnics and you.

### **Governing law**

This Offer Document, the Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in the Offer Document may not be relied upon as having been authorised by Fluorotechnics or any of its officers.

## INDICATIVE TIMETABLE

Event	Date
Announcement of Offer	Monday, 16 March 2009
Lodgment of Appendix 3B, Offer Document and Cleansing Notice with ASX	Monday, 16 March 2009
Despatch of notices to Shareholders informing them of the Offer	Tuesday, 17 March 2009
Shares quoted on ex-entitlement basis	Wednesday, 18 March 2009
Record Date for determining Entitlements	7pm, Tuesday, 24 March 2009
Offer opens - despatch of Offer Document and Entitlement and Acceptance Form	Wednesday, 25 March 2009
Offer Closing Date	5pm, Wednesday, 8 April 2009
Shares quoted on deferred settlement basis	Thursday, 9 April 2009
Company notifies the ASX of under-subscriptions	Thursday, 9 April 2009
Despatch of holding statements and allotment and issue of New Shares	Monday, 20 April 2009
Trading of New Shares on ASX expected to commence	Tuesday, 21 April 2009

This Timetable is indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date without prior notice, subject to the Listing Rules. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the New Shares.

The Directors also reserve the right not to proceed with the whole or part of the Offer any time prior to allotment and issue of the New Shares. In that event, any payments received for Applications will be returned in full without interest.

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## **SECTION 1 DESCRIPTION OF THE OFFER**

### **1.1 Overview**

Fluorotechnics is seeking to raise up to \$1.5m by way of a non-renounceable offer to Eligible Shareholders of 1 New Share for every 11 Shares held on the Record Date at a price of \$0.70 per New Share. In any event, Fluorotechnics will raise at minimum \$561,464 before costs of the Offer as the offer is partially underwritten (see section 1.8).

Fractional entitlements will be rounded up to the nearest whole number of New Shares. An Acceptance Form setting out your entitlement to New Shares accompanies this Offer Document. If you do not take up your Entitlement your shareholding in Fluorotechnics will be diluted.

Eligible Shareholders should be aware that an investment in Fluorotechnics involves risks and Eligible Shareholders should consider the investment in the context of their individual risk profile, investment objectives and individual financial circumstances (see section 5).

### **1.2 Size of the Offer**

Up to 2,195,169 New Shares will be issued to raise up to \$1.5m. Subject to rounding, if all New Shares are taken up, there will be approximately 26,342,023 Shares on issue following the Offer.

There are a number of options to acquire Shares that could be exercised before the Record Date and would increase the number of Shares on issue. Given the exercise price and terms of these options it is unlikely that they will be exercised before the Record Date.

### **1.3 No Rights trading**

The Offer is non-renounceable. There will be no trading of Rights on the ASX and Rights may not be sold, however, you may nominate a different person or entity to take up your Rights ("Nominee") (see section 1.4). Any New Shares not taken up may be issued to with other Eligible Shareholders who have applied for Shortfall Shares or third parties, as determined by the Board.

### **1.4 Appointing a Nominee to take up your Entitlement**

You may nominate another person or entity to accept your Entitlement in full or in part on your behalf ("Nominee"). To nominate another person or other entity, please complete the Nominee's details on the Acceptance Form and indicate how much of your Entitlement you wish your Nominee to accept. To accept your Entitlement in full or in part in respect of you Nominee, you or your Nominee must make a payment for the cost of the New Shares taken up by the Nominee before 5pm on the Closing Date.

### **1.5 Applying for more than your Entitlement – Shortfall Facility**

You may subscribe for New Shares in excess of your Entitlement under the Shortfall Facility. Please refer to section 2.5 for details. Please note that there is no guarantee that you will receive any Shortfall Shares.

### **1.6 Closing Date**

The Closing Date for acceptance of Entitlements is 5pm on Wednesday 8 April 2009. This date may be varied by Fluorotechnics without prior notice subject to the Listing Rules. Applications completed incorrectly or received after 5pm on the Closing Date may be rejected at Fluorotechnics' discretion. Fluorotechnics reserves the right not to proceed with the whole or part of the Offer at any time prior to allotment and issue of the New Shares.

### **1.7 Use of Funds**

The proceeds of the Offer will be used to strengthen the Company's balance sheet and fund ongoing sales and marketing costs.

## 1.8 Underwriting

The Underwriters and the Company entered into an underwriting agreement dated on or about 15 March 2009 under which the Underwriters agreed to underwrite a total of \$561,464 representing 802,091 New Shares under the Rights Issue. The agreement sets out the minimum entitlements each Underwriter and their associates must accept and an additional amount to be underwritten by each Underwriter (Total Commitment).

This Total Commitment must be paid to the Company within 2 business days of the Opening Date. Following the Closing Date the Company must calculate the total shortfall under the Offer and the amount which is payable by each underwriter to satisfy the shortfall (if any). On the Allotment Date the Company is authorised to transfer the funds and allot the shares to meet the shortfall.

The liability of the Underwriters under the agreement is limited to the amount of their Total Commitment.

In accordance with Exception 2 in ASX Listing Rule 10.12, the number of shares and underwritten amount of each Underwriter who is a related party of the ASX Listing Rules is as follows:

<b>Underwriter</b>	<b>Underwritten Shares</b>	<b>Underwritten Amount (\$)</b>
Kannatex Pty Ltd (an entity associated with John Fletcher)	195,684	136,979
Rick Taylor	71,429	50,000
David Weber	174,070	121,849
James Walker	103,305	72,314
Peter Bergquist	68,097	47,668
Veal Consulting Pty Ltd (an entity associated with Duncan Veal)	32,909	23,036

The agreement can be terminated by the Underwriter if:

- (a) the Company changes its capital structure without prior written consent of the Underwriters;  
or
- (b) the Company is in default of the agreement; or
- (c) the Company's shares are suspended from quotation on the ASX.

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## SECTION 2 YOUR CHOICES

You may:

- take up your Entitlement in full (see section 2.1 );
- apply for more than your Entitlement under the Shortfall Facility (see sections 2.2 and 2.3).
- take up part of your Entitlement and allow the balance to lapse (see section 2.4);
- allow all of your Entitlement to lapse (see section 2.5); or
- appoint a Nominee to take up part or all of your Entitlement (see section 2.6);

### 2.1 Taking up all of your Entitlement

If you wish to take up your Entitlement in full, complete the Acceptance Form in accordance with its instructions.

Forward your completed Acceptance Form together with your cheque or bank cheque made payable to “Fluorotechnics Limited Rights Issue” for the amount shown on your Acceptance Form so that it is received by Registries Limited (whose details are on the Acceptance Form) not later than 5pm on the Closing Date.

### 2.2 Shortfall Facility

Eligible Shareholders may apply for New Shares in addition to their Entitlement under the Shortfall Facility. The Shortfall Facility allows the Company to place the Shortfall Shares with Eligible Shareholders and third parties so that the maximum amount can be raised under the Offer.

For Eligible Shareholders wishing to take up Shortfall Shares please indicate the number of New Shares in addition to your Entitlement that you wish to subscribe for. The Application Amount can be calculated as follows:

$$\text{Application Amount} = \text{Number of Shortfall Shares applied for} \times \$0.70 + \text{Amount shown on Acceptance Form}$$

Forward your completed Acceptance Form together with your cheque or bank cheque made payable to “Fluorotechnics Limited Rights Issue” for the Application Amount (as calculated using the formula above) so that it is received by Registries Limited (whose details are on the Acceptance Form) not later than 5pm on the Closing Date.

### 2.3 Allocation of Shortfall Shares

The following rules apply to the allocation of Shortfall Shares:

- (a) there is no guarantee that any participating Shareholder will receive Shortfall Shares under the Shortfall Facility, however, all participating Shareholders will receive at least their Entitlement;
- (b) the Board reserves its right to scale back applications for Shortfall Shares and the Board's decision is final; and
- (c) the Board reserves its right to place the Shortfall Shares with any of the Underwriters, Eligible Shareholders participating in the Shortfall Facility and third parties (subject to the Listing Rules and the Corporations Act).

The Board intends to issue the Shortfall Shares at its discretion within 3 months from the Closing Date.

Until the allocation of New Shares under the Offer, all application money will be deposited in a separate bank account and held on trust. Surplus application moneys will be refunded to the relevant Eligible Shareholder as soon as practicable in accordance with the Corporations Act.

#### **2.4 Taking up part of the Entitlement and allowing the balance to lapse**

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the Acceptance Form by indicating the number of New Shares you wish accept.

The Application Amount for taking up part of your Entitlement is calculated as follows:

$$\text{Application Amount} = \text{Number of New Shares applied for} \times \$0.70$$

Forward your completed Acceptance Form together with your cheque or bank cheque made payable to "Fluorotechnics Limited Rights Issue" for the Application Amount (as calculated using the formula above) so that it is received by Registries Limited (whose details are on the Acceptance Form) not later than 5pm on the Closing Date.

The balance of your Entitlement not taken up will lapse and part of your shareholding may be diluted.

#### **2.5 Allow all of the Entitlement to lapse**

If you do not wish to accept any part of your Entitlement, do not take any further action and your Entitlement will lapse. By not taking any action and not taking up your Entitlement your shareholding in Fluorotechnics will be diluted.

#### **2.6 Appointing a Nominee to take up your Entitlement**

You may nominate another person or entity to accept your Entitlement ("Nominee") in full or in part on your behalf. To nominate a person or other entity, please complete the Nominee's details on the Acceptance Form and indicate how much of your Entitlement you wish your Nominee to accept.

Forward your completed Acceptance Form together with your cheque or bank cheque made payable to "Fluorotechnics Limited Rights Issue" for the relevant Application Amount so that it is received by Registries Limited (whose details are on the Acceptance Form) not later than 5pm on the Closing Date.

#### **2.7 Acceptance Form is binding**

A completed and lodged Acceptance Form constitutes a binding offer to acquire New Shares (including Shortfall Shares) on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Board's decision whether to treat an Acceptance as valid and how to construe, amend or complete the Acceptance Form is final.

#### **2.8 Brokerage and stamp duty**

No brokerage or stamp duty is payable to accept your Entitlement.

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## **SECTION 3 INFORMATION REGARDING FLUOROTECHNICS AND THIS OFFER**

### **3.1 Continuous disclosure and reporting obligations**

Fluorotechnics is a "disclosing entity" (as defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Fluorotechnics to notify the ASX of information about specific events and matters as they arise for the purpose of the ASX making the information available to the securities market conducted by the ASX. In particular, Fluorotechnics has an obligation under the Listing Rules (subject to certain limited exceptions), to notify the ASX once it is, or becomes aware of information concerning Fluorotechnics which a reasonable person would expect to have a material effect on the price or value of Fluorotechnics' Shares. The ASX maintains records of company announcements for all companies listed on the ASX. The announcements of Fluorotechnics are available for inspection at the ASX and may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au).

Fluorotechnics is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report. Copies of documents lodged with ASIC in relation to Fluorotechnics may be obtained from, or inspected at, an office of ASIC.

### **3.2 Cleansing Notice**

This Offer Document is issued pursuant to section 708AA of the Corporations Act as an offer document for the offer of securities for issue, under a rights issue, without disclosure to investors under Part 6D.2 of the Corporations Act. Pursuant to the conditions imposed on Fluorotechnics by section 708AA of the Corporations Act for the making of a rights issue without disclosure to investors, Fluorotechnics provided the ASX with a cleansing notice that complied with the requirements of section 708AA(7) on 16 March 2009, prior to despatch of this Offer Document. In addition to certain minor and technical matters that notice was required to:

- (a) set out any information that had been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
  - (1) the assets and liabilities, financial position and performance, profits and losses and prospects of Fluorotechnics; or
  - (2) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on control of Fluorotechnics and the consequences of that effect.

### **3.3 Taxation**

You and your Nominee should be aware that there may be taxation implications associated with participating in the Offer and receiving New Shares. The Directors consider that it is not appropriate to give advice regarding the taxation consequences of subscribing for New Shares under this Offer Document or the subsequent disposal of any New Shares allotted and issued under this Offer Document. Fluorotechnics, its advisers and officers do not accept any responsibility or liability for any taxation consequences to potential Applicants. The Directors recommend that all Eligible Shareholders and their Nominees consult their own professional tax advisers in connection with this Offer.

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## **SECTION 4 ASX QUOTATION AND ALLOTMENT OF NEW SHARES**

### **4.1 ASX quotation**

Fluorotechnics has made an application to the ASX for the New Shares to be granted quotation on the ASX. If permission is not granted for quotation of the New Shares on the ASX, then no allotment and issue of any New Shares will take place and any application monies (without interest) will be returned in full to Applicants.

Trading of New Shares will, subject to the ASX approval, occur on or about the date specified in the Timetable.

### **4.2 Allotment and despatch of Holding Statements**

Subject to the New Shares being granted quotation on the ASX, the New Shares will be allotted and issued and holding statements despatched in accordance with the Timetable. It is expected that despatch of holding statements and allotment and issue of New Shares will take place on or about 20 April 2009.

Application monies received from Nominees will be held in trust by Fluorotechnics until allotment and issue of the New Shares. Fluorotechnics will be entitled to retain any interest paid on the monies so held, even if this Offer does not proceed.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk.

### **4.3 CHESS**

Fluorotechnics participates in the Clearing House Electronic Subregister System ("CHESS"), operated by ASTC, a wholly-owned subsidiary of the ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, Fluorotechnics does not issue certificates to Shareholders but will instead provide Shareholders with a statement of their holdings in Fluorotechnics. If you are broker sponsored, ASTC will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued to you under the Offer Document and give details of your holder identification number, in the case of a holding on the CHESS sub-register and the terms and conditions applicable to the New Shares.

If you are registered in the issuer sponsored subregister your statement will be despatched by the Share Registry and will contain the number of New Shares issued under the Offer Document and your security holder reference number.

A CHESS statement or issuer sponsored statement is routinely sent to Shareholders by Fluorotechnics' Share Registry at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time, however, a charge may be incurred for additional statements.

### **4.4 Rights attaching to New Shares**

From allotment and issue, the New Shares allotted and issued pursuant to the Offer Document will rank equally in all respects with existing Shares.

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## **SECTION 5 RISKS**

The business activities of Fluorotechnics are subject to risks and there are many risks, which may impact on Fluorotechnics' future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside of the control of Fluorotechnics and cannot be mitigated. There are also general risks associated with any investment. Investors should consider all of these risks before they make a decision whether or not to apply for New Shares. In addition, investors should speak to their financial, legal or other adviser about these risks before making a decision to invest in New Shares. The principal risk factors include, but are not limited to, the following:

### **5.1 Competition**

The stain and gel marketplace is subject to technological change and competition. Fluorotechnics faces competition from other organisations, many of which may have significantly greater financial, technical and marketing resources than Fluorotechnics. Fluorotechnics has faced and is expected to continue to face, additional competition from new entrants into its markets. Competition may include predatory pricing.

In most of the markets in which Fluorotechnics' business currently operates, there are barriers to entry. However, despite any first mover advantage currently enjoyed by Fluorotechnics, the prospect of new and substantial competition arising in those markets over time cannot be excluded, with consequential significant adverse effects on Fluorotechnics' market share and profitability.

Increased competition could result in margin reductions, lower customer numbers, under-utilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could adversely affect Fluorotechnics' business, operating results and financial condition. There can be no assurance that Fluorotechnics will be able to compete successfully against current or future competitors globally.

As a strategic response to changes in the competitive environment, the Company may from time to time make research and development, manufacturing, pricing, service or marketing decisions that could have a material effect on the Company's business, results of operations and financial conditions. There can be no certainty that these strategic responses are the correct responses.

### **5.2 Dependence on Distributors and Re-sellers**

The business of Fluorotechnics is partly based on relationships with a number of arms-length distributors and re-sellers. A proportion of Fluorotechnics' future revenues and profits are expected to be generated through those distribution arrangements. Fluorotechnics' operations rely to a small part on distributors continuing and, wherever practicable, improving their effectiveness in their respective markets and continuing to choose Fluorotechnics as their supplier.

### **5.3 Dependence on General Economic Conditions and Uncertainty Surrounding the Global Financial Crisis**

In common with other companies, Fluorotechnics may be affected by general economic conditions, including the level of interest rates, currency exchange rates, tax regulation and tax rates, global and national economic cycles, global and national political stability, employment rates, inflation, changing consumer demands and spending by customers. Any changes in government fiscal, monetary and regulatory policies of a government may also adversely affect Fluorotechnics' business. In particular, the performance of the Company is likely to be affected by the adverse changes in economic conditions as a result of the current global financial crisis.

### **5.4 Foreign Exchange**

The Company's major markets are in Europe and USA. As a result there may be adverse impact on the results due to foreign exchange fluctuations.

## **5.5 Further Capital Requirements**

There can be no assurance that such Fluorotechnics can meet all of its business objectives without further financing or, if further financing is necessary, that it can be obtained on favourable terms or at all.

## **5.6 General Risks**

No assurance as to future profitability or dividends can be given, as they are dependent on future earnings and the working capital requirements of the Company's business.

There can be no guarantee that the assumptions on which the planning or marketing strategies of the Company, or those upon which the Company has based its decisions to expand, will ultimately prove to be valid or accurate. The Company's strategies depend on various factors many of which are outside the control of the Company.

## **5.7 Intellectual Property**

The success of the Company is significantly affected by the quality of its intellectual property and its ability to obtain and maintain patent and other commercial protection of such intellectual property and to operate without infringing the proprietary rights of third parties.

The Company therefore faces a number of risks, costs and uncertainties with respect to the patent prosecution process. There is risk that patent authorities in some or all jurisdictions may refuse to grant a patent to the Company. Furthermore, no assurance can be given that current patents and/or any issued patents will provide a competitive advantage, or that the Company's competitors will not design around any patents issued.

There is a risk that the Company's competitors may file an objection to patent applications, even if that objection is without merit. In this event the Company will incur costs (which may be substantial) in challenging any such objection and as a result, may possibly suffer delays in releasing its products to market, may be required to develop non-infringing technologies or enter into royalty or licensing agreements or may be prevented from releasing some or all of its products.

## **5.8 Loss of Key Clients / Termination of Material Contracts**

There are a number of existing clients and arrangements, which are material to Fluorotechnics' business. Further clients are likely to be won and contracts will likely be entered into by Fluorotechnics which will also be material to Fluorotechnics' business.

Loss or termination of those clients or arrangements for any reason may have a significant adverse impact on the business, revenues and profitability of Fluorotechnics.

## **5.9 Management of Future Growth**

Fluorotechnics is anticipating a period of rapid growth. This growth is resulting in new and increased responsibilities for management and will continue to place a significant strain on Fluorotechnics' management. Fluorotechnics will be required to continue to implement and improve its systems on a timely basis in order to accommodate the increased number of transactions and customers and the increased size of its operation. There is a risk that management of the Company will not be able to continue to implement the Company's growth strategy after completion of Offer.

## **5.10 Market Perception**

Fluorotechnics is proposing to expand its business significantly. However, in existing markets, Fluorotechnics is presently perceived as a relative newcomer. This may inhibit Fluorotechnics' ability to secure and convert business opportunities, which are expected by the Board to develop in the future in those markets.

### **5.11 Need to attract Qualified Staff**

Fluorotechnics' future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel may be strong and there can be no assurance that Fluorotechnics will be successful in attracting and retaining such personnel on reasonable terms or at all. The Directors believe that the implementation of the Company's employee share option plan will assist in attracting and retaining key staff.

### **5.12 Price and Liquidity for Shares**

An investment in Shares should be regarded as speculative. The price of Shares can rise or fall. A range of factors affecting stock markets generally, or industries in which Fluorotechnics' business is operated can affect it. Those matters are often beyond the control of Fluorotechnics. In addition, liquidity in the trading of Shares (whether on the ASX or otherwise) can be affected by a range of matters beyond the control of Fluorotechnics. Further, there is no guarantee of any return in respect of an investment in shares, whether a return by way of profit or capital.

In particular, the prices of many stocks listed on the ASX have, in recent times, been subject to large fluctuations, which, in some cases, may have been unrelated to the operating performance of the individual companies concerned. Such fluctuations may adversely affect the market price of Shares.

### **5.13 Product Liability**

The Company's terms and conditions with its clients generally contain provisions drafted to limit the Company's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence, there can be no assurance that the Company will not be subject to such claims.

The Company carries what the Directors consider to be adequate insurance. However, there can be no assurance that a significant claim, if successful, would not adversely impact on the Company's financial performance.

### **5.14 Production**

A significant number of Fluorotechnics' products are manufactured in their own facilities. There is a risk that problems could occur in manufacturing on a large scale.

There is a risk that the base fungus used in the manufacture of the fluorescence stains may die or be lost. The Company has mitigated this risk by having a number of samples stored in facilities off site and under strict control by third parties.

### **5.15 Recent Growth Record**

There is no assurance that the recent growth of Fluorotechnics is sustainable, or is indicative of future growth or profitability, or future dividend payments. Nor is there any assurance that revenue will increase in response to marketing and promotional activities proposed to be undertaken by Fluorotechnics. In the future, there is no assurance that Fluorotechnics' products will be readily taken up by the market or taken up at all.

### **5.16 Regulatory Changes**

Changes in government policies in any country may affect Fluorotechnics' revenues and profitability and the value of an investment in Fluorotechnics.

### **5.17 Reliance on Key Personnel**

Fluorotechnics' success will depend in part on the continued services of its key employees. The loss of services of one or more of Fluorotechnics' key employees or contractors could have a material adverse effect on Fluorotechnics' business, operating results and financial condition. This risk is addressed in part by the existence of service contracts with executives and senior management. Fluorotechnics does not have, nor does it intend to take out, key man insurance in respect of any of its key employees and contractors.

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## SECTION 6 DEFINITIONS

These definitions are provided to assist persons in understanding some of the expressions used in this Offer Document.

**Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document.

**Applicant** means a person who has applied to subscribe for New Shares by submitting an Acceptance Form.

**Application** means the lodgment of an Acceptance Form with the Share Registry together with the relevant Application Money.

**Application Amount** means the total amount payable by Eligible Shareholders for accepting part or all of their Entitlement and applying for Shortfall Shares (as applicable).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the ASX Limited ACN 008 624 691.

**Board** means the board of directors of Fluorotechnics.

**Cleansing Notice** means the notice required by section 708AA(2)(f) of the Corporations Act and lodged with ASX on 16 March 2009.

**Closing Date** means 5pm on Wednesday 8 April 2009.

**Company** means Fluorotechnics Limited ACN 099 098 192 and when the context requires, each of its subsidiaries.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of Fluorotechnics.

**Eligible Shareholder** means a Shareholder as at the Record Date who is not a Non-qualifying Shareholder.

**Entitlement** means an Eligible Shareholder's entitlement to subscribe for New Shares pursuant to the Offer.

**Fluorotechnics** means Fluorotechnics Limited ACN 099 098 192 and when the context requires, each of its subsidiaries.

**Listing Rules** means the official listing rules of the ASX.

**New Shares** means Shares to be allotted and issued under the Offer including Shortfall Shares.

**Nominee** means a person or entity nominated by an Eligible Shareholder to take up part or all of their Entitlement in accordance with this Offer Document.

**Non-qualifying Shareholder** means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

**Offer** means a pro rata non-renounceable offer to Eligible Shareholders to subscribe for 1 New Share for every 11 Shares held to raise up to \$1.5million at an offer price of \$0.70 per New Share.

**Offer Document** means this document.

**Offer Price** means \$0.70 per New Share.

**Record Date** means 7pm, Tuesday 24 March 2009.

**Rights** means the rights to subscribe for New Shares pursuant to this Offer Document.

**Shareholder** means a holder of Shares.

**Shares** means fully paid ordinary shares in the capital of Fluorotechnics.

**Share Registry** means Registries Limited ACN 003 209 836.

**Shortfall Facility** means the mechanism under which the Company may issue Shortfall Shares to Eligible Shareholders, the Underwriters or third parties.

**Shortfall Shares** means the aggregate number of New Shares for which Eligible Shareholders have not taken up their Entitlement.

**Timetable** means the indicative timetable set out at the front end of this Offer Document.

**Underwriting Agreement** means the underwriting agreement entered into between Fluorotechnics and the Underwriters dated on or about the date of this Offer Document.

**Underwriters** means Kannatex Pty Limited, Rick Taylor, David Weber, James Walker, Sydney Capital Partners, Peter Bergquist, Veal Consulting Pty Limited and Ian Gilmour and **Underwriter** means each one of them.

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**Directors and Senior Management**

Rick Taylor  
*Chairman and Non-executive Director*

James Walker  
*CEO and Managing Director*

Peter Bergquist  
*Non-executive Director*

John Fletcher  
*Non-executive Director*

David Weber  
*Non-executive Director*

Dr Duncan Veal  
*Chief Technology Officer*

Günter Theßeling  
*Chief Sales and Marketing Officer*

Dr Reiner Westermeier  
*Scientific Marketing Director*

Ian Gilmour  
*Company Secretary*

**Registered Office**

Unit R257 Building E8C  
Macquarie University  
Sydney NSW 2109  
Telephone: (02) 9850 8185

**Solicitors to the Offer**

Herceg Lawyers  
Australia Square Building  
Level 22  
264 George Street  
Sydney NSW 2000  
Telephone: (02) 8243 6600

**Share Registry**

Registries Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000  
Telephone: (02) 9290 9620