



Probiomics Limited
ABN 97 084 464 193

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**The Australian Stock Exchange Limited,
Companies Announcements Office
SYDNEY**

20th December 2007

Issue of Convertible Note

Probiomics Limited has raised \$500,000 by way of a one year convertible note with a 10% coupon. The conversion price of the note is 4 cents per share. Conversion into ordinary shares will be subject to AGM shareholder and regulatory approval and the monies committed have been from sophisticated, existing shareholders of Probiomics Limited.

The funds will be used for working capital.

Yours sincerely,

A Jairath,
Company Secretary

Appendix 3B
New issue announcement

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Probiomics Limited

ABN

97 084 464 193

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Unsecured convertible notes |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 500,000 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Please see the note deed lodged with ASX today. |

+ See chapter 19 for defined terms.

4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?	<p>No.</p> <p>The convertible notes can be converted to ordinary securities after the AGM and which will rank equal to other ordinary securities in all respect.</p>									
<p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 										
5 Issue price or consideration	\$ 1.00 per note.									
6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Additional working capital									
7 Dates of entering +securities into uncertificated holdings or despatch of certificates	7 th November 2007.									
8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>176,460,077</td> <td>PCC- Ordinary fully paid shares</td> </tr> </tbody> </table>	Number	+Class	176,460,077	PCC- Ordinary fully paid shares					
Number	+Class									
176,460,077	PCC- Ordinary fully paid shares									
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>250,000</td> <td>PCCAW – Options expiring 14/9/08 at \$0.10</td> </tr> <tr> <td>9,450,000</td> <td>PCCAZ – Options expiring 28/11/08 at \$0.10</td> </tr> <tr> <td>500,000</td> <td>Unsecured Convertible notes at conversion price of 0.04 cents. Conversion to ordinary shares effective after the AGM.</td> </tr> </tbody> </table>	Number	+Class	250,000	PCCAW – Options expiring 14/9/08 at \$0.10	9,450,000	PCCAZ – Options expiring 28/11/08 at \$0.10	500,000	Unsecured Convertible notes at conversion price of 0.04 cents. Conversion to ordinary shares effective after the AGM.	
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9,450,000	PCCAZ – Options expiring 28/11/08 at \$0.10									
500,000	Unsecured Convertible notes at conversion price of 0.04 cents. Conversion to ordinary shares effective after the AGM.									

+ See chapter 19 for defined terms.

- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) As determined by the Directors from time to time in accordance with the Company's Constitution

Part 2 - Bonus issue or pro rata issue

- 11 Is security holder approval required?
- 12 Is the issue renounceable or non-renounceable?
- 13 Ratio in which the *securities will be offered
- 14 *Class of *securities to which the offer relates
- 15 *Record date to determine entitlements
- 16 Will holdings on different registers (or sub-registers) be aggregated for calculating entitlements?
- 17 Policy for deciding entitlements in relation to fractions
- 18 Names of countries in which the entity has *security holders who will not be sent new issue documents
- Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.
- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue

+ See chapter 19 for defined terms.

- 24 Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders
- 25 If the issue is contingent on *security holders' approval, the date of the meeting
- 26 Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled
- 27 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders
- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do *security holders sell their entitlements *in full* through a broker?
- 31 How do *security holders sell *part* of their entitlements through a broker and accept for the balance?
- 32 How do *security holders dispose of their entitlements (except by sale through a broker)?
- 33 *Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

+ See chapter 19 for defined terms.

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of securities for which +quotation is sought
- 39 Class of +securities for which quotation is sought
- 40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?
 If the additional securities do not rank equally, please state:
 • the date from which they do
 • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
 • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- 41 Reason for request for quotation now
 Example: In the case of restricted securities, end of restriction period
 (if issued upon conversion of another security, clearly identify that other security)
- 42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)
- | Number | +Class |
|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> |

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

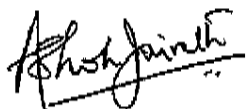
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

Company Secretary

Date: 20 December 2007

Print name:

Ashok K. Jairath

=====

+ See chapter 19 for defined terms.

Unsecured Convertible Note

Probiomics Limited ABN 97 084 464 193

And

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Unsecured Convertible Note

Date	
Parties	<p>Probiomics Limited ABN 97 084 464 193 of Suite G09 Central Avenue Australian Technology Park, Eveleigh, NSW 1430 (Company)</p> <p>_____</p> <p>(Noteholder)</p>
Background	<p>The Company has agreed to issue unsecured convertible notes and the Noteholder has agreed to subscribe for unsecured convertible notes in accordance with the terms of this Deed.</p>

Deed

1. Definitions and interpretations

1.1 Definitions

Defined terms in the Note Conditions (Schedule 1) have the same meaning when used in this Deed, unless this Deed provides otherwise.

In this Deed, and all documents issued under this Deed, unless the context otherwise requires:

ASIC means the Australian Securities & Investments Commission;

ASX means the Australian Stock Exchange Limited;

ASX Listing Rules means the listing rules of the ASX;

Business Day means a day (not being a Saturday, Sunday or bank or public holiday) that banks are generally open for business in Melbourne;

Business Hours means from 9:00am to 5:00pm on a Business Day;

Completion Date means 7th November 2007;

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

Deed includes this deed, the schedules attached to this deed, and any document or documents supplemental to this deed;

Directors means the directors of the Company from time to time acting as a board and **Director** means any one of them;

Event of Default has the meaning given in clause 5;

Insolvency Event means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller (as defined in section 9 of the Corporations Act) or similar officer is appointed in respect of a Group Company (as defined in the Note Conditions) or any asset of a Group Company (and does not retire, or is not removed, within three Business Days of such appointment **provided that if any such Group Company retires or is removed and is immediately replaced with another Group Company referred to in this clause 1.1(a) such removal or resignation shall be disregarded for the purposes of this clause 1.1(a)**);
- (b) a liquidator or provisional liquidator is appointed in respect of a Group Company;
- (c) any application (not being an application withdrawn, stayed or dismissed within five Business Days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a Group Company referred to in clauses 1.1(a) or 1.1(b);
 - (ii) winding up a Group Company; or
 - (iii) proposing or implementing a scheme of arrangement,except for the purpose of a solvent reconstruction or amalgamation;
- (d) a moratorium of any debts of a Group Company, or an official assignment, or a composition, or an arrangement (formal or informal) with a Group Company's creditors, or any similar proceeding or arrangement by which the assets of a Group Company are subjected conditionally or unconditionally to the control of that Group Company's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn, stayed or dismissed within 10 Business Days;
- (e) a Group Company becomes, or admits in writing that it is, or is declared to be, insolvent or unable to pay its debts as and when they fall due; or
- (f) anything analogous to any of the above events occurs;

Moneys Owing means all money which the Company (whether alone or not) is or at any time may become actually or contingently liable to pay to the Noteholder (whether alone or not) for any reason whatsoever under or in connection with this Deed or any Note. It includes:

- (a) the aggregate of the Principal Amount of all Notes and any interest payable on the Notes and any of the moneys payable to the Noteholder under or pursuant to this Deed; and
- (b) money by way of principal, interest, fees, costs, indemnities, charges, duties or expenses or payment of liquidated or unliquidated damages under or in connection with any Transaction Document, or as a result of a breach of or default under or in connection with any Transaction Document,

and in relation to a Noteholder means that portion of moneys which is owing to or in relation to that Noteholder. Where the Company would be liable but for an Insolvency Event, it will be taken to still be liable;

Note means an unsecured redeemable note convertible into fully paid Ordinary Shares in the Company, having an issue price of A\$1.00 and issued in accordance with the Note Conditions and the provisions of this Deed;

Note Conditions means the conditions set out in Schedule 1 and any other conditions, as the case may be, under which Notes are issued from time to time pursuant to this Deed;

Note Register means the register of noteholders kept by the Company;

Principal Amount in relation to a Note means the amount paid on issue of the Notes being A\$1.00 per Note;

Registered Address in respect of a Noteholder, means the address of the Noteholder entered in the Note Register;

Shareholder Approval Date means the date the shareholder approvals are obtained in accordance with clause 4 of this Deed but such date shall be within 3 calendar months of the date of this Deed;

Transaction Document means:

- (a) this Deed; and
- (b) each Note.

1.2 Interpretation

In this Deed, and all documents issued under this Deed, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) words importing a gender include the other genders;
- (c) other grammatical forms of defined words or phrases have corresponding meanings;
- (d) a reference to a clause, part of a clause, schedule or annexure is a reference to that clause or part of a clause of or schedule or annexure to this Deed;
- (e) a reference to this Deed includes its recitals, schedules and any annexures as it may from time to time be amended and except to the extent that the context clearly otherwise indicates includes all supplemental or collateral deeds whether or not they are expressly incorporated in such reference;
- (f) a reference to a party is a reference to a party to this Deed;
- (g) a reference to a party to this Deed includes that party's successors and permitted assigns;
- (h) a reference to a document or agreement, including this Deed, includes a reference to that document or agreement as novated, altered or replaced from time to time and, in the case of this Deed, to any supplemental or collateral document to this Deed;
- (i) a reference to **dollar**, **\$**, **\$A**, or **A\$** is a reference to Australian currency;
- (j) a reference to a specific time for the performance of an obligation is a reference to that time in the State or Territory where the obligation is to be performed;

- (k) **related body corporate** has the meaning given to that term in section 50 of the Corporations Act; and
- (l) use of a term (including, without limitation, **Moneys Owing**) denoting subject matter which comprises more than one part or aspect includes a reference to each or any part or aspect of the subject matter.

1.3 **Headings and footnotes**

Headings and footnotes are for reference only and do not form part of this Deed.

1.4 **References to statutory provisions**

A reference to a statute or statutory provisions includes but is not limited to:

- (a) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
- (b) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
- (c) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument.

2. Issue of Notes

2.1 **Issue of Notes**

Subject to receipt of the Principal Amount in relation to the Notes by the Company (or by any person as the Company may direct the Noteholder to pay the Principal Amount) and to the operation of clause 4, on the Completion Date the Company must issue to the Noteholder (or its nominee):

- (a) Notes; and
- (b) a Note Certificate with respect to the Notes;

2.2 **Status of Notes**

Each Note is an unsecured obligation of the Company.

3. Company's use of funds

The Company must use the Principal Amount to fund its working capital requirements.

4. Shareholder approval requirements

The Company must use its best endeavours to obtain all requisite legal, regulatory and shareholder approvals in relation to:

- (a) any conversion of the Notes; and
- (b) any other circumstance or event which requires or, in the opinion of the Noteholder may require,

such approval(s) including but not limited to seeking and recommending shareholder approval pursuant to the ASX Listing Rules by no later than the Shareholder Approval Date.

5. Events of Default

- (a) The occurrence of any one or more of the following will be an Event of Default:
- (i) the Company does not pay any money that becomes payable by the Company under this Deed on its due day for payment;
 - (ii) the Company is in breach of any covenant, undertaking or warranty contained in this Deed (except for those referred to in clauses 5(a)(i), (iii) and (iv)) or the Note Conditions which is prejudicial to the interests of the Noteholder and the breach is not rectified within 10 Business Days after the Noteholder gives notice requesting the Company to do so;
 - (iii) any Insolvency Event occurs in respect of any Group Company;
 - (iv) any encumbrance over any property of the Company is enforced, or steps are taken to enforce any such encumbrance;
 - (v) a material adverse change occurs in the assets, liabilities, turnover, earnings, financial condition, trading position, affairs or prospects of the Company;
 - (vi) the Company or any related body corporate of the Company fails to comply in any material respect with any of the following:
 - (A) a material provision of its constitution;
 - (B) a statute material to its business;
 - (C) the ASX Listing Rules;
 - (D) a material requirement, order or request made by or on behalf of ASIC, the ASX or any governmental agency; or
 - (E) any agreement entered into by it which is material to its business (including a breach by the Company of any of its finance facilities or financial covenants contained in such facilities),and, where the non-compliance is capable of remedy, the Company fails to remedy any such non-compliance within 14 days of such non-compliance to the reasonable satisfaction of the Noteholder;
 - (vii) the Company fails to provide the Noteholder with a reasonable opportunity to consult with the Company at least 10 Business Days prior to entering into an agreement or arrangement whereby the Company will receive any additional funding from any third party financier;
 - (viii) the Company or a related body corporate of the Company alters its capital structure without the prior written consent of the Noteholder (such consent not to be unreasonably withheld or delayed), except those issues of Ordinary Shares pursuant to the conversion of convertible securities disclosed to the ASX and/or the Noteholder and existing at the date of this Deed or to be issued pursuant to this Deed or pursuant to transactions contemplated by this Deed;

- (ix) the constitution or any other constituent document of the Company or a related body corporate is amended without the prior written consent of the Noteholder (such consent not to be unreasonably withheld or delayed);
 - (x) the Company disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property (other than in the ordinary course of its ordinary business) without the prior consent of the Noteholder; or
 - (xi) the Company ceases or threatens to cease to carry on business without the prior consent of the Noteholder.
- (b) The Company must immediately notify the Noteholder by notice in writing as soon as it becomes aware of the existence of an Event of Default or any matter, event or circumstance which could potentially result in an Event of Default.

6. Alteration of Deed

This Deed including the Note Conditions may only be amended in writing signed by each of the parties.

7. Validity

7.1 Validity of Notes issued

Despite any breach of, or non-compliance by the Company with, any of the provisions of this Deed, all Notes issued under this Deed will as between:

- (a) the Noteholder and the Company; and
- (b) the Noteholder and any receiver, trustee or liquidator of the Company,

be deemed to have been validly issued under this Deed.

7.2 Continuing obligations

Nothing in this clause 7 will exonerate or relieve or be deemed to exonerate or relieve the Company from any of its respective covenants, liabilities and obligations under this Deed.

8. Discharge and release

The Company is immediately discharged and released from its liabilities, obligations and covenants under this Deed in respect of a Note on the first to occur of the date on which:

- (a) the Note and interest on the Note (if any) is redeemed and paid in accordance with the Note Conditions; and
- (b) the Note is converted and interest on the Note (if any) is paid in accordance with the Note Conditions.

9. Notices and other communications

9.1 Service of notices

A notice, demand, consent, approval or communication under this Deed (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorised by the sender; and
- (b) hand delivered or sent by prepaid post or facsimile to the recipient's address for Notices specified below, as varied by any Notice given by the recipient to the sender:

(A) if to the Company:

Address: Suite G09, 1 Central Avenue
Australian Technology Park
EVELEIGH, NSW 1430

Attention: Company Secretary

Facsimile: +61 2 9209 4256]

(B) if to the Noteholder:

Address:

Attention:

Facsimile:

9.2 Effective on receipt

A Notice given in accordance with clause 9.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, on the second Business Day after the date of posting (or on the seventh Business Day after the date of posting if posted to or from a place outside Australia);
- (c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice.

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

9.3 Service sufficient

A Notice given or served under this Deed is sufficient if:

- (a) in the case of a company, it is signed by a director, officer or secretary of that company;
- (b) in the case of a partnership, it is signed by a director, officer or secretary of the general partner of the partnership; or

(c) in the case of an individual, it is signed by that party.

9.4 In addition to other modes permitted

The provisions of this clause are in addition to any other mode of service permitted by law.

9.5 Noteholder

A Notice given to a Noteholder under this Deed must be in writing and may be given to a Noteholder by being delivered to him or posted by prepaid envelope at a post office or post office letterbox and addressed to the Noteholder's Registered Address.

9.6 Post office receipt

A post office receipt for the envelope containing a Notice will be taken as conclusive evidence of the date on which the Notice was posted.

10. GST

10.1 Interpretation

In this clause 10, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that Act.

10.2 GST gross-up

If a party makes a supply under or in connection with this Deed in respect of which GST is payable, the consideration for the supply but for the application of this clause 10.2 (**GST exclusive consideration**) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.

10.3 Reimbursements

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 10.2.

10.4 Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

11. Service of process

Without preventing any other mode of service, any document in an action (including, without limitation, any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 9.

12. Invalid or unenforceable provisions

Any provision of this Deed which is invalid or unenforceable in any jurisdiction will as to that jurisdiction only be read down or severed to the extent of that invalidity or unenforceability provided that the remaining provisions of this Deed are properly and effectively self-sustaining and capable of separate enforcement without regard to the read down or severed provision in

that jurisdiction. Such remaining provisions continue to be valid and enforceable in accordance with their terms.

13. Applicable law and jurisdiction

This Deed is governed by and is to be construed in accordance with the laws of New South Wales. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and courts entitled to hear appeals from these courts. The Company and each Noteholder waives any right they have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

14. Warranties

The Company represents and warrants the following at the date of this Deed:

- (a) **Authority:** The Company has power to issue the Notes and the Options and to enter into, perform its obligations under and be bound by this Deed without any further sanction or consent of the Board or members of the Company or any class of them.
- (b) **Listing:** The Company has been admitted to and is listed on the official list of the ASX, has not been removed from the official list of the ASX and no removal has been threatened.
- (c) **Continuous disclosure:** The Company has complied with all applicable continuous disclosure requirements under the Corporations Act and the ASX Listing Rules.
- (d) **Proceedings:** To the best of the knowledge, information and belief of the Company, having made all due and proper enquiries, and except as disclosed in the latest audited consolidated half-yearly financial statements of the Company or to the ASX pursuant to the continuous disclosure obligations of the Company, neither the Company nor any other Group Company is engaged in or threatened with any legal action, investigation by regulatory authority or other proceedings which would have a material adverse effect on the issue of the Notes and the Options and there are no circumstances known or which on reasonable enquiry would be known to the Company that are likely to give rise to any such proceedings.
- (e) **Stamp duty:** No stamp duty (or tax of a similar nature) is or will be payable on the issue of the Notes or the Options to the Noteholder.
- (f) **Compliance:** The Company and each other Group Company has complied with the Corporations Act, and all applicable policies and guidelines of ASIC.
- (g) **ASX Listing Rules:** The Company has complied with its obligations as a disclosing entity under the Corporations Act and its disclosure obligations (both periodic and continuous) as an entity under the ASX Listing Rules.
- (h) **Equal ranking:** Shares to be issued to the Noteholder on conversion of Notes will rank equally, from their date of issue, with all other issued and fully paid Ordinary Shares in the capital of the Company.

15. Indemnity

- (a) Except to the extent a competent court finds that a loss was incurred as a result of:
- (i) the wilful misconduct, negligence or breach of this Deed by any of the Indemnified (as defined below) in relation to the issue of Notes on the terms of this Deed (**Issue**); or
 - (ii) a penalty or fine which the Indemnified (defined below) must pay for contravening the Corporations Act,
- the Company agrees to indemnify the Noteholder and its Directors, officers, employees and advisers (**Indemnified**) against all losses, expenses, damages, costs (on a solicitor and own client basis and whether incurred by or awarded against the Indemnified) outgoings and payments (**Losses**) that any of the Indemnified may sustain or incur as a result, whether directly or indirectly, of:
- (iii) any warranty given under this Deed being untrue, inaccurate or misleading;
 - (iv) any breach by the Company of its obligations set out in this Deed;
 - (v) any announcement, advertising, publicity or other promotion made or distributed by the Company in relation to this Deed;
 - (vi) any investigations, enquiries, legal proceedings or review of the Issue undertaken by ASIC, the ASX or any other regulatory body; or
 - (vii) any failure by the Company to issue a notice in accordance with section 708A(6) of the Corporations Act in respect of the Ordinary Shares issued on the conversion of the Notes or any defect in that notice.
- (b) This indemnity is a continuing indemnity and is not wholly or partially discharged by the payment of any moneys, the settlement of any account or anything else.

16. Other

16.1 Costs

Except as otherwise provided in this Deed, each of the Company and the Noteholder will bear its own costs in relation to the preparation and execution of this Deed, including all legal costs and expenses.

16.2 Announcements

All announcements and press releases in relation to this Deed or any transaction contemplated by or under this Deed must be approved in writing by the Noteholder prior to release.

Schedule 1 Note Conditions

1. Definitions

In these Note Conditions:

Bonus Issue means a pro rata issue made to holders of Ordinary Shares of any Securities credited as fully paid by way of capitalisation of profits, reserves or otherwise, but excluding any issue of Securities made either in lieu of a cash payment or as a dividend under the constitution of the Company;

Bonus Securities means Securities issued under a Bonus Issue;

Conversion Date means the date on which Ordinary Shares must be issued under clause 4 of these Note Conditions;

Conversion Notice means a notice from a Noteholder that it requires the Company to convert the number of Notes specified in the notice into Ordinary Shares in the form set out in Schedule 2;

Conversion Price means \$0.04 per Ordinary Share;

Event Conversion Date means the day 30 days after the date a notice is issued by the Company pursuant to clause 5(b) of the Deed upon the occurrence of an Event of Default;

Governmental Agency means a government or a governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity;

Group means the Company and each related body corporate of the Company;

Group Company means the Company or a subsidiary of the Company;

GST has the meaning given in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) as amended from time to time;

Income Tax means any tax which is assessed, levied, imposed or collected on income or capital gains by or on behalf of any Governmental Agency and includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed in respect of the above;

Interest Rate means, in respect of each Note, 10% per annum calculated on the face value of the Note together with all capitalised interest accrued in respect of that Note;

Issue Date means the date on which the Company issues the Notes;

Issue Price means A\$1.00 per Note;

Maturity Date means three calendar months from the Completion Date for those Notes that have not been converted, redeemed or bought back prior to that date;

Note Certificate means a certificate in respect of Notes;

Ordinary Share means a fully paid ordinary share in the capital of the Company;

Redemption Amount means the amount payable in accordance with clause 3.1 of these Note Conditions;

Redemption Date means (as the context requires):

- (a) the Maturity Date; or
- (b) the date on which the Notes are redeemed in accordance with the Note Conditions;

Redemption Notice means a notice in the form set out in Schedule 3 to these Note Conditions;

Securities includes shares, debentures, debenture stock, notes and any option or right to subscribe for the same;

Standard Conversion Date means the date in respect of which a notice has been given under clause 4.1(a) of these Note Conditions;

Standard Conversion Right means a Noteholder's right to convert its Notes into Ordinary Shares in accordance with clause 4.1(a) of these Note Conditions;

Tax means:

- (a) a tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding;
- (b) income, stamp or transaction duty, tax or charge; or
- (c) GST,

which is assessed, levied, imposed or collected by, or payable to, a Governmental Agency (excluding Income Tax other than interest withholding tax) and includes, but is not limited to, interest, fines, penalties, charges, fees or other amounts imposed on or in respect of any of the above; and

Tax Act means:

- (a) the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997*, as the case may be, as amended;
- (b) any other Act setting the rate of income tax payable; and
- (c) any regulation promulgated thereunder;

2. Interest

- (a) Interest, calculated at the Interest Rate, accrues and is payable quarterly in arrears, by the Company on the Note.
- (b) On the day that each Note is redeemed or converted (as the case may be):
 - (i) all accrued but unpaid interest (if any) on the Note becomes immediately due and payable; and
 - (ii) the Company must on that day, at the Noteholder's election, either pay the accrued interest to the Noteholder in cash or convert the accrued interest into Ordinary Shares in accordance with the following formula:

Amount of accrued but unpaid interest (calculated in accordance with these Note Conditions)

divided by Conversion Price

equals Number of Ordinary Shares.

3. Redemption

3.1 Redemption Amount

Notes the subject of redemption are redeemable for an amount in cash equal to the Principal Amount of the Notes the subject of redemption plus any interest payable and the Company must pay to each relevant Noteholder this amount on the Redemption Date.

3.2 Redemption by Noteholder - Event of Default

The Notes held by the Noteholder are redeemable, at the election of that Noteholder, on the occurrence of an Event of Default, by the Noteholder giving to the Company, within 20 Business Days after the Event of Default first occurring, a Redemption Notice requiring the Company to redeem all or some (in lots of 1,000) of the Notes the subject to the Redemption Notice for an amount equal to the Redemption Amount calculated as at the Redemption Date. On the Company's receipt of a Redemption Notice, the Company must redeem the Notes on the Redemption Date, which date shall be within 20 Business Days of the Company's receipt of the Redemption Notice, by payment to the Noteholder of the Redemption Amount.

3.3 No Redemption by Company

The Company has no right to elect to redeem all or part of the Notes at any time.

3.4 Maturity Date

If the Notes are not otherwise redeemed or converted in accordance with these Note Conditions, then the Notes will be redeemed by the Company on the Maturity Date by payment to the Noteholder of the Redemption Amount.

3.5 Surrender Note Certificates

A Noteholder must surrender and deliver the relevant Note Certificate to the Company in exchange for the Company paying the relevant redemption money, calculated under this clause 3, to that Noteholder.

4. Conversion

4.1 Standard Conversion Right

- (a) Subject to these Note Conditions, the Noteholder has the right to convert all or some of its Notes (in lots of 1,000) by delivering a Conversion Notice to the Company at any time after the Shareholder Approval Date and prior to the Maturity Date.
- (b) Subject to these Note Conditions, in the event that the Noteholder exercises its Standard Conversion Right, the conversion of the Notes to Ordinary Shares will:
 - (i) occur on the date that the Conversion Notice is given to the Company, in accordance with clause 4.3 of these Note Conditions; and
 - (ii) be calculated in accordance with the following formula:

Number of Notes subject to Conversion Notice

divided by Conversion Price

equals Number of Ordinary Shares.

- (c) The Company will pay the Noteholder on the Standard Conversion Date any interest that is accrued and unpaid up to the Standard Conversion Date except where the Noteholder is already entitled to an interest payment by virtue of a record date in respect of an Interest Payment Date on which the Standard Conversion Date falls.

4.2 Conversion Notices

- (a) A Conversion Notice cannot be withdrawn without the consent in writing of the Company.
- (b) Not less than 25 Business Days prior to the Maturity Date, the Company must send to the Noteholder a notice notifying it of this date and of the Conversion Date together with a pro forma Conversion Notice.

4.3 Method of conversion

- (a) On receipt of a Conversion Notice from the Noteholder:
 - (i) the Company shall redeem each of the Notes which are being converted for the Issue Price within five Business Days from receipt of the Conversion Notice; and
 - (ii) the holder of the Notes which are being converted irrevocably and unconditionally directs the Company to apply the whole of the Issue Price to subscribe for the number of Ordinary Shares to which the Noteholder is entitled under clauses 4.1 and 4.1(c) of these Note Conditions (as adjusted in accordance with these Note Conditions).
- (b) Where the total number of Ordinary Shares to be issued to a holder on conversion includes a fraction, that fraction will be disregarded.
- (c) The Company will within five Business Days from the receipt of the Conversion Notice issue Ordinary Shares in respect of converted Notes.
- (d) The issue of Ordinary Shares as a result of the conversion of Notes will be treated for all purposes as full repayment of the Issue Price payable with respect to such Notes and the obligations of the Company in relation thereto will thereupon cease, except in respect of any obligation or liability which has arisen on or before the Conversion Date.

4.4 Automatic conversion

- (a) On the Shareholder Approval Date, all Notes not otherwise redeemed or converted in accordance with these Note Conditions will automatically convert into the number of Ordinary Shares calculated in accordance with the following formula:
 - Number of Notes not otherwise redeemed or converted on the Shareholder Approval Date
 - divided by* Conversion Price
 - equals* Number of Ordinary Shares.
- (b) If the Notes convert into Ordinary Shares in accordance with clause 4.4(a) of these Note Conditions:
 - (i) the conversion of the Notes to Ordinary Shares will occur on the Shareholder Approval Date in accordance with clause 4.3 of these Note Conditions and,

for purposes of clause 4.3, the Noteholder will be deemed to have given a Conversion Notice in respect of all its Notes to the Company on the Shareholder Approval Date; and

- (ii) the Company will also pay the Noteholder on the Shareholder Approval Date any interest that is accrued and unpaid up to the Shareholder Approval Date.

5. Cancellation of Notes

All Notes that are redeemed or converted are automatically cancelled on redemption or conversion and may not be re-issued.

6. General

6.1 Payments

Any amount which is payable to the Noteholder in respect of the Notes in accordance with these Note Conditions will, unless the Company and the Noteholder otherwise agree, be paid by direct credit to a nominated account at an Australian financial institution or by Australian dollar cheque drawn in favour of such Noteholder and sent by pre-paid post to the address of the Noteholder in the Note Register.

6.2 No listing

The Company does not propose to apply to have the Notes quoted on the official list of the ASX.

6.3 Ranking of Ordinary Shares

Each Ordinary Share issued on conversion of a Note will, as from the Conversion Date of that Note, rank equally in all respects with the then issued Ordinary Shares, except that they will not be entitled to any dividend that has been declared or determined but not paid as at the Conversion Date.

6.4 Listing of Ordinary Shares

The Company must within five Business Days of the conversion of a Note:

- (a) if so directed by the Noteholder, ensure that the Ordinary Shares issued on the conversion of the Note are admitted for quotation on the official list of the ASX; and
- (b) issue a notice to the ASX in accordance with section 708A of the Corporations Act such that an offer of the Ordinary Shares for sale within 12 months after their issue will not require disclosure under Part 6D.2 of the Corporations Act by reason of section 707(3) or (4) of the Corporations Act.

6.5 Security and subordination

The Notes are unsecured obligations of the Company and will rank equally with all other unsecured creditors of the Company, excluding unsecured creditors preferred by mandatory provisions of law. The Notes will rank equally amongst themselves and in priority to Ordinary Shares on the winding up of the Company and interest on Notes will be paid in priority to dividends on Ordinary Shares.

6.6 Voting

The Noteholder may attend general meetings of the Company but the Notes do not carry a right to vote at a general meeting of the Company, unless provided for by the ASX Listing Rules or the Corporations Act.

6.7 Reporting requirements

- (a) The Company will observe the reporting requirements set out in the Deed, which include requirements to furnish reports on the financial performance of the Company.
- (b) The Company will send to the Noteholder a copy of all reports, notices and announcements sent to holders of Ordinary Shares at the time they are sent.

6.8 Notes redeemed

All Notes redeemed by the Company in accordance with these Note Conditions will thereupon be cancelled and may not be reissued.

6.9 Restriction on dividends

The Company will not pay any dividends to its holders of ordinary shares at a time when interest payments to the Noteholder in respect of the Notes are outstanding.

7. Holding statements and certificates

7.1 Cancellation of Note Certificates

The ranking of the Notes will in no way be affected by the cancellation of any Note Certificate on which they were originally included or of any subsequent Note Certificate on which they were included.

8. Transfer of Notes

8.1 Transfer of Notes within 12 months after the Issue Date

During the first 12 months after the Issue Date, the Notes must not be transferred except pursuant to invitations or offers which do not require disclosure because of section 708 of the Corporations Act.

8.2 Transfer

Subject to clause 8.1 of these Note Conditions, Notes may be transferred by the Noteholder:

- (a) by written transfer instrument in any usual or common form or in any other form approved by the Directors; and
- (b) to a person or entity that has executed and delivered to the Company an undertaking to observe, perform and be bound by the terms of this Deed.

8.3 Transfers must be executed

A written transfer instrument must be executed by the transferor and the transferee.

8.4 Note Certificates

A written transfer instrument must be forwarded for registration to the Company together with the Note Certificate for the Notes to be transferred.

8.5 Company must register transfer

Subject to clause 8.4 of these Note Conditions and compliance with any relevant statute relating to stamp duties, the Company must register the transfer and issue a Note Certificate to the transferee for the number of Notes comprised in the transfer.

8.6 Refusal to register transfer

- (a) The Directors may refuse to register any transfer of Notes where the Corporations Act requires the Company to do so.
- (b) Where the Directors refuse to register a transfer of Notes under clause 8.5 of these Note Conditions, the Company will give written notice of the refusal and the reasons of the refusal to the transferee and the person who lodged the transfer, if not the transferee, within five Business Days after the date on which the transfer was lodged with the Company.
- (c) Failure by the Company to give notice under clause 8.6(b) of these Note Conditions does not invalidate the refusal to register the transfer in any way.

9. Payment to Noteholder

Interest, redemption money or any other money payable on or in respect of a Note must be paid in Australian dollars:

- (a) by cheque marked 'not negotiable' and sent to the address of the Noteholder on the Register;
- (b) by deposit to an account with any bank in Australia that the Noteholder, by written notice to the Company, may direct; or
- (c) by any other method of transferring money agreed by the Company and the relevant Noteholder from time to time.

10. Liquidation

If the Noteholder is liquidated, the person entitled to Notes as a result of liquidation will be recognised as having an enforceable claim to Notes registered in the Noteholder's name.

**Schedule 2
Conversion Notice**

To: Probiomics Limited

I/we hereby give notice under clause 4.1 of the Note Conditions of the Convertible Secured Notes of Probiomics Limited, of the exercise of a right to convert notes into fully paid Ordinary Shares in the capital of Probiomics Limited.

This notice is subject to and conditional on the occurrence of a Standard Conversion Right or an Event Conversion Right (as defined in the Note Conditions).

If this notice is signed by an attorney, the attorney declares that he or she has no notice of revocation of the power of attorney by which this notice is signed.

[Companies should sign under seal or by power of attorney]

Date:

Signature(s):

**Schedule 3
Redemption Notice**

To: Probiomics Limited

We give notice, under clause 3.2 of the Note Conditions, of the exercise of our right to redeem of the Notes held by us into cash on the

If this notice is signed by an attorney, the attorney declares that he or she has no notice of revocation of the power of attorney of which this Notice is signed.

Companies should sign under seal or by attorney.

Date:

Signature(s):

Executed as a deed

Executed for and on behalf of **Probiomics**)
Limited ABN 97 084 464 193 by authority of the)
directors by:)

Secretary/Director

Director

Name (please print)

Name (please print)

Executedfor and on behalf of)
by authority of the directors by:)

Secretary/Director

Director

Name (please print)

Name (please print)