

Date: 29 February 2012

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

## Appendix 4D – Half Year Report

1. Name of entity	PROBIOMICS LIMITED ACN 97 084 464 193
Half-year ended	31 <sup>st</sup> December 2011
Reporting period	1 <sup>st</sup> July 2011 to 31 <sup>st</sup> December 2011
Previous period	1 <sup>st</sup> July 2010 to 31 <sup>st</sup> December 2010

## 2. Results for announcement to the market

	31 Dec 2011	31 Dec 2010	% change
2.1 Revenues from continuing operations	\$184,823	\$549,823	(66%)
2.2 Profit (loss) from continuing operations after tax attributable to members	(\$314,633)	\$17,219	N/M
2.3 Net profit (loss) attributable to members	(\$314,633)	\$17,219	N/M
2.4 Proposed dividends	nil	nil	
2.5 Not applicable			
2.6 Refer attached report.			

- |  |       |      |
|--|-------|------|
| 3. Net tangible asset (liability) per security | >.01c | 0.1c |
|--|-------|------|
- The company did not gain or lose control over any other entity during the reporting period.
  - There were no payments of dividends during the reporting period.
  - There is no dividend reinvestment plan in operation.
  - There are no associates or joint venture entities.
  - The company is not a foreign entity.
  - The accounts are not subject to any audit dispute or qualification.

The company's half-year report follows.

Yours sincerely,



Ashok K. Jairath  
Company Secretary  
29<sup>th</sup> February 2012

**Probiomics Limited**  
ACN 084 464 193

**Interim Financial Report for the half-year ended  
31 December 2011**

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## Corporate Information

This half-year report covers Probiomics Limited (the Company). The Company's functional and presentation currency is AUD(\$).

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the Directors' report on page 4. The Directors' report has not been reviewed by the Company's auditors and does not form part of the financial report.

### Directors

Mr P.D Ford (Chairman)  
Mr S. O'Loughlin  
Mr S. Taylor

### Company Secretary

Mr A. K Jairath

### Registered office and Principal place of business

Suite 1A, Level 2, 802 Pacific Highway, Gordon NSW 2072

### Auditors

RSM Bird Cameron Partners  
Level 12  
60 Castlereagh Street,  
SYDNEY NSW 2000

### Bankers

National Australia Bank Limited

### Share Register

Computershare Financial Services Pty Limited,  
Level 12, 565 Bourke Street,  
Melbourne Victoria 3001  
Phone 1300 850 505  
Fax: 03/9473 2500

### Principal Solicitors

Dibbs Barker Lawyers  
Level 8, 123 Pitt Street  
SYDNEY NSW 2001

### Internet Address

[www.probiomics.com.au](http://www.probiomics.com.au)

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2011.

### DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as set out below. All directors were in office for this entire period.

Mr P.D Ford  
Mr S. O'Loughlin  
Mr S. Taylor

### REVIEW AND RESULTS OF OPERATIONS

Sales revenues decreased by 66% predominantly due to the impact of the strong Australian dollar and global financial crisis, particularly on the US economy, where majority of the Company's sales are. Expenses increased by 150%, due mainly to the legal, share registry and other costs associated with the off market takeover of Hunter Immunology Limited (Hunter).

On 10<sup>th</sup> October, the Company (PCC) announced an off market take over bid for all of the Hunter shares. Hunter operates as a clinical stage biotechnology company to develop a range of orally administered vaccines, the most advanced of which being evaluated seeks to reduce the number and severity of exacerbations in patients with Chronic Obstructive Pulmonary Disease. The success of the takeover is subject to a number of conditions including acceptance by at least 90% by number of all Hunter shares, shareholder approval by PCC share holders, a successful Public Offer and the re-admission of PCC to the ASX.

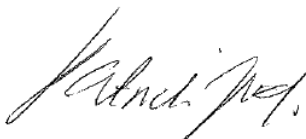
Subsequent to the end of the reporting period, PCC has successfully obtained shareholder approval for the takeover. The Public Offer closed on the 27<sup>th</sup> February 2012. The acceptance by the Hunter shareholders is on track and PCC has applied to the ASX for re-admission.

The development and licensing agreement for infants formula and infants medical products to incorporate Company's proprietary strain *Lactobacillus fermentum* PCC with Nestle was mutually terminated due to the inordinate time lag in progressing the products to market. This now provides PCC with an opportunity to exploit the liberated portion of its intellectual property with other interested parties.

We have obtained the independence declaration from our auditors, RSM Bird Cameron Partners included on page 5.

This report is signed in accordance with a resolution of the board of directors.

Signature



P.D Ford  
Chairman

Sydney, 29<sup>th</sup> February 2012

**RSM Bird Cameron Partners**  
Level 12, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001  
T +61 2 9233 8933 F +61 2 9233 8521

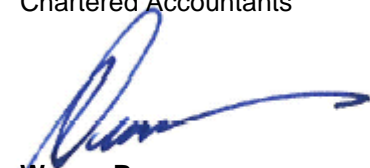
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Probiomics Limited for the half year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

*RSM Bird Cameron*

**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

  
**Wayne Beauman**  
Partner

Sydney, NSW  
Dated: 29 February 2012

## Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 \$	31 December 2010 \$
<b>Revenue</b>	3(a)	<b>184,823</b>	549,823
Cost of sales		<b>(106,384)</b>	(296,521)
<b>Gross profit</b>		<b>78,439</b>	253,302
Other income	3(a)	<b>260,927</b>	26,632
Other expenses	3(a)	<b>(653,999)</b>	(262,715)
<b>Profit (Loss) before income tax</b>		<b>(314,633)</b>	17,219
<b>Income tax rebate</b>		-	-
<b>Profit (Loss) after tax</b>		<b>(314,633)</b>	17,219
<b>Net Profit (Loss) for period</b>		<b>(314,633)</b>	17,219
Other Comprehensive Income		-	-
<b>Net Comprehensive Profit (Loss) for period</b>		<b>(314,633)</b>	17,219
Earnings per share attributable to ordinary equity holders of the company			
- basic profit (loss) for half-year (cents per share)		<b>(0.10)</b>	0.01
- diluted profit (loss) for half-year (cents per share)		<b>(0.10)</b>	0.01

The above condensed income statement should be read in conjunction with the accompanying notes

# Statement of Financial Position

AS AT 31 DECEMBER 2011

	NOTES	
	As at 31 December 2011 \$	As at 30 June 2011 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	348,580	111,628
Trade and other receivables	83,652	106,480
<b>Total current assets</b>	<b>432,232</b>	<b>218,108</b>
<b>Non-current assets</b>		
Plant and equipment	2,136	2,625
<b>Total non-current assets</b>	<b>2,136</b>	<b>2,625</b>
<b>TOTAL ASSETS</b>	<b>434,368</b>	<b>220,733</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	434,908	96,390
<b>Total current liabilities</b>	<b>434,908</b>	<b>96,390</b>
<b>TOTAL LIABILITIES</b>	<b>434,908</b>	<b>96,390</b>
<b>NET (LIABILITIES)/ ASSETS</b>	<b>(540)</b>	<b>124,343</b>
<b>EQUITY</b>		
Contributed equity	27,951,149	27,761,399
Reserves	289,212	289,212
Accumulated losses	(28,240,901)	(27,926,268)
<b>TOTAL EQUITY</b>	<b>(540)</b>	<b>124,343</b>

The above balance sheet should be read in conjunction with the accompanying notes



## Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>At 1 July 2011</b>	<b>27,761,399</b>	<b>(27,926,268)</b>	<b>289,212</b>	<b>124,343</b>
Transaction costs on share issue	-	-	-	-
Total comprehensive income and expense for the period	-	<b>(314,633)</b>	-	<b>(314,633)</b>
Shares issued	<b>200,000</b>	-	-	<b>200,000</b>
Cost of Issue of Shares	<b>(10,250)</b>	-	-	<b>(10,250)</b>
Cost of share-based payments	-	-	-	-
<b>At 31 December 2011</b>	<b>27,951,149</b>	<b>(28,240,901)</b>	<b>289,212</b>	<b>(540)</b>

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2010	27,761,399	(27,927,322)	289,212	123,289
Transaction costs on share issue	-	-	-	-
Total comprehensive income and expense for the period	-	17,219	-	17,219
Shares issued	-	-	-	-
Cost of share-based payments	-	-	-	-
At 31 December 2010	27,761,399	(27,910,103)	289,212	140,508

The above statement of changes in equity should be read in conjunction with the accompanying notes

# Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTES

	31 December 2011	31 December 2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	388,332	596,626
Payments to suppliers and employees	(342,113)	(583,938)
Receipt of government grants	-	27,500
Interest received	1,365	120
Interest paid	(382)	(3,707)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>47,202</b>	<b>36,601</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant & equipment	-	-
Acquisition of property, plant & equipment	-	-
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	200,000	-
Payment of share issue costs	(10,250)	-
Payment of convertible note		(50,000)
<b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	<b>189,750</b>	<b>(50,000)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>236,952</b>	<b>(13,398)</b>
<b>ADD OPENING CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>111,628</b>	<b>237,997</b>
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>348,580</b>	<b>224,599</b>

The above cash flow statement should be read in conjunction with the accompanying notes

# Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134, *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Probiomics Limited. As such, it does not contain the information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2011 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

### (b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company has incurred a net loss of \$314,633, had net current liabilities of \$2,676 and net liabilities of \$540. Additionally the company currently derives most of its revenues from one customer. The company is dependent on receiving ongoing orders from this customer or identifying alternate revenue streams to generate profits and to continue deriving net operating cash flows. To date the company has firm orders until March 2012. These factors indicate a significant uncertainty as to whether the company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds that the company will be able to continue as a going concern, for the reason that the company has issued a prospectus dated 21 December 2011, to raise between \$2.2 and \$4.4 million, which is not underwritten. There are number of conditions precedent attached to this capital raising, the outcome of which, will not be known until after the date of this report.

The Directors believe that the company will be successful in its capital raising and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company does not continue as a going concern.

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 2 SEGMENT INFORMATION

The Company operates in the bio-technology industry in Australia. The principal operations are to research, develop, market and distribute probiotic products. Sales are made both in Australia and internationally. Due to the nature of the entity's business, the company has only one reportable segment.

The following tables present revenue and certain asset and liability information regarding geographical segments.

	Australia		USA		Europe		Consolidated	
	Dec 2011 \$	Dec 2010 \$	Dec 2011 \$	Dec 2010 \$	Dec 2011 \$	Dec 2010 \$	Dec 2011 \$	Dec 2010 \$
<b>Revenue</b>								
Sales to external customers	-	11,864	<b>184,823</b>	551,861	-	-	<b>184,823</b>	<b>563,725</b>
Other revenues from external customers	<b>85,927</b>	32,914	-	-	<b>175,000</b>	181,500	<b>260,927</b>	<b>214,414</b>
Segment revenue	<b>85,927</b>	44,778	<b>184,823</b>	551,861	<b>175,000</b>	181,500	<b>445,750</b>	<b>778,139</b>
<b>Other segment information</b>								
Segment Depreciation	<b>489</b>	1,248	-	-	-	-	<b>489</b>	<b>1,248</b>
Segment Assets	<b>434,368</b>	543,545	-	-	-	-	<b>434,368</b>	<b>543,545</b>

The company has one major customer in the US, which accounts for all the sales revenues.

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 3 REVENUE, INCOME AND EXPENSES

Revenues from continuing operations.

#### (a) Revenue, Income and Expenses from Continuing Operations

	2011	2010
	\$	\$
<b>(i) Revenue</b>		
Sale of goods & other revenue	184,823	549,823
Total revenue	184,823	549,823
<b>(ii) Other income</b>		
Sundry Income – EMDG grant & other adjustments	-	27,500
Other income ( Nestle Milestone) including interest	176,365	(868)
Hunter Immunology expense reimbursement including interest	82,632	-
Foreign Exchange Gain	1,931	-
Total other income	260,928	26,632
<b>(iii) Other expenses</b>		
Audit fees and other auditor's services	12,500	12,170
Consultants' fees	111,670	61,407
Depreciation	489	781
Directors' fees	37,080	39,458
Employee benefits	2,160	2,082
Foreign currency exchange losses	-	48,451
Insurances	19,850	21,482
Intellectual property costs	6,077	1,575
Interest Paid	1,723	1,745
Legal expenses	320,187	-
Rent and outgoings	10,747	10,598
Research & Development costs	1,901	26,912
Share Registry Cost	62,836	-
Other Expenses	66,779	36,054
Total other expenses	653,999	262,715

#### (b) Seasonality of Operations

The Company's operations are not seasonal.

### 4 DIVIDENDS PAID AND PROPOSED

No dividends were paid during the half-year ended 31 December 2011 and none are proposed.

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### 5 COMMITMENTS AND CONTINGENCIES

#### Legal claims

None.

2011.

### 6 SHARE ISSUE

During the period the Company issued 33,333,334 shares raising \$189,750 net of transaction costs.

### 7 EVENTS AFTER BALANCE DATE

Subsequent to the end of reporting period, PCC has successfully obtained the shareholder approval of the take over, a Public Offer is in progress and closed on the 27<sup>th</sup> of February, the acceptance by the Hunter shareholder is on track and PCC has applied to ASX for re-admission.

## Directors' Declaration

In accordance with a resolution of the directors of Probiomics Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the company; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



P. D. Ford  
Chairman

Sydney, 29<sup>th</sup> February 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**TO THE MEMBERS OF**  
**PROBIOMICS LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Probiomics Limited which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Probiomics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Probiomics Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Probiomics Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

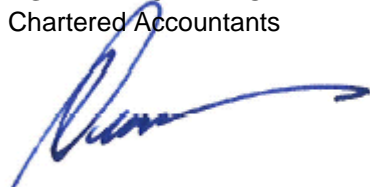
*Emphasis of matter*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the company incurred a loss of \$314,633, had net current liabilities of \$2,676 and net liabilities of \$540 and its ability to continue as a going concern is dependent on receiving ongoing orders from a key customer or identifying alternate revenue streams to generate profits and operating cash flows and on the success of a current capital raising, undertaken pursuant to a prospectus issued and dated 21 December 2011. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

*RSM Bird Cameron*

**RSM BIRD CAMERON PARTNERS**

Chartered Accountants



**W E Beuman**

Partner

Sydney, NSW

Dated: 29 February 2012