

31<sup>st</sup> October 2005

Dear Shareholder,

We are pleased to offer you the opportunity to invest up to \$5,000 in your company at a discount to market price – in a Share Purchase Plan (“SPP”) the details of which are set out below.

Like many listed biotechnology companies, Probiomics has had several capital raisings – generally in the form of placements to “sophisticated” investors. As we move closer towards achieving our primary objective of becoming a cash flow positive business, we are giving existing shareholders an opportunity to invest in the company at an attractive price, free of all brokerage, commissions and stamp duty.

Subject to the finalization of an underwriting agreement, Taylor Collison Limited has agreed to underwrite the first \$1,000,000 of the SPP.. I refer you to Taylor Collison’s most recent research note on the company at [www.taylorcollison.com.au](http://www.taylorcollison.com.au)

The company is now making positive progress in numerous areas:

- We continue to advance partnering/licensing discussions with several of the world’s largest pharmaceutical companies. An outcome in this regard should result in substantially increased revenue from sales of proTract<sup>®</sup> in Australia. The secondary (and potentially more lucrative) benefit will be the commencement of negotiations for product sales in other regions.
- We have just been awarded a commercial ready grant from AusIndustry which will fund 50% of the cost of our exciting molecular discovery program – targeted for completion by mid 2006.
- We recently won the prestigious Australian Journal of Pharmacy award for the best product in complementary health – for our proTract<sup>®</sup> IBS product.
- Product sales of proTract<sup>®</sup> in Malaysia are growing and are ahead of budget.
- Product development with our functional food partners is progressing well.
- Recent scale up in production has been successful, and we expect that all customer backorders will be cleared by December 2005, followed by the building of a product inventory.
- Annual spend has reduced from \$4.4m to a budgeted target of under \$2.5m.

Your board has overseen a major overhaul of the company’s business model providing a solid foundation from which we can proceed to build a profitable company.

I commend this investment to you.

Yours sincerely



Bryan Gardiner  
Chairman

**Probiomics Limited**  
(formally VRI BioMedical Limited)



www.probiomics.com.au

## OFFER OF NEW SHARES UNDER A 'SHARE PURCHASE PLAN'

The Board of Directors of Probiomics Limited (**Probiomics**) has decided to implement a Share Purchase Plan (**SPP**) to raise additional capital for the company's working capital needs.

The offer price is \$0.075 per share. The Directors have decided to limit the amount raised under this SPP to \$2m.

The offer under the **SPP** has been structured to comply with ASX listing rule 7.2 (exception 15) and the Australian Securities & Investments Commission Class Order 02/831. As such, the maximum value of new shares each eligible shareholder (irrespective of the size of their shareholding) may apply for under the **SPP** is limited to \$5,000.00. This limit will apply even if you receive more than one offer from Probiomics (for example, because you are a joint holder of shares or because you hold more than one shareholding under separate share accounts). However if you act as a trustee or nominee in respect of more than one beneficiary, you may apply for up to \$5,000.00 worth of new shares for each occasion that you are separately recorded as trustee or nominee for a different beneficiary. **Probiomics** reserves the right to reject any application for new shares where it believes this requirement has not been complied with.

The purpose of this letter is to invite you to apply for new shares pursuant to the **SPP**. The terms and conditions of the offer under the **SPP** are set out in this letter and the enclosed Application Form. By accepting this offer to apply for new shares under the **SPP**, you agree to be bound by these terms and conditions and the constitution of **Probiomics**.

An application form is attached. It can be sent to the company's registered office below or to the company's share register, Computershare, whose address appears on the form.

Subject to the finalization of an underwriting agreement the offer of new shares under the **SPP** is to be underwritten by Taylor Collison Limited up to a limit of \$1,000,000.

### Eligibility

You are eligible to participate in the **SPP** if you were a registered holder of fully paid ordinary shares of **Probiomics**, with a registered address in either **Australia** or **New Zealand** as at 5.00 pm AEST on the **Record Date**, which has been set at 4<sup>th</sup> November 2005.

The company has determined that it is not lawful or practical for shareholders in other jurisdictions to participate in the **SPP**

### Pricing and participation

The issue price for the new shares is \$0.075 per share. This represents an 8% discount to the average market price of Probiomics' shares over the last five days on which sales in the shares have been recorded on the ASX up to and including Friday 25<sup>th</sup> October.

You are eligible to participate in the **SPP** if you were a registered holder of fully paid ordinary shares of **Probiomics Limited**, with a registered address in either **Australia** or **New Zealand** as at 7.00 pm AEST on the **Record Date**, which has been set at 4<sup>th</sup> November 2005.

## Probiomics Limited

(formally VRI BioMedical Limited)

Probiomics Limited  
ACN 084 464 193 ABN 97 084 464 193  
Suite G09, 1 Central Avenue, Australian Technology Park, Eveleigh, Sydney NSW 1430, Australia  
Phone: +61 2 9209 4268 Fax: +61 2 9209 4256



www.probiomics.com.au

If you are eligible to participate in the **SPP** (see above), you may apply for new shares up to the value of \$5,000. Please refer to the application form for multiples below this maximum.

You should note that the market price of Probiomics' shares may rise or fall between the date of this offer and the date when the new shares are issued. This means that the price you pay for every new share under this offer might exceed the market price of Probiomics' shares at the time the new shares are issued under the **SPP**.

You should seek your own professional advice in relation to this offer and your participation under the **SPP**. The offer to apply for new shares is non-renounceable (that is, you cannot transfer your right to apply for new shares under the offer to anyone else).

### **Costs of Participation**

No brokerage, commission, stamp duty or other transaction costs will be payable by you in respect of the application for and issue of new shares under the **SPP**.

### **Acceptance of offer and closing date**

The offer under the **SPP** closes at 5.00 pm AEST on the 25<sup>th</sup> November 2005.

If you want to apply for new shares under the **SPP**, please complete the enclosed Application Form and return it, together with your cheque made payable to '**Probiomics Limited**' in the enclosed reply paid envelope. Acceptances must be received by 5.00 AEST on 25<sup>th</sup> November 2005. **Probiomics** may vary the closing date for the offer, and will announce any such variation to the ASX.

**Probiomics** reserves the right to reject your application and not issue any new shares to you if your Acceptance Form is not completed correctly or your cheque does not clear within 5 business days of presentation.

By accepting an offer under the **SPP**, you certify that the aggregate of the application price for the new shares the subject of the application, and any other shares and interests in the class applied for by you under the **SPP** or a similar arrangement in the 12 months prior to the application for new shares under the SPP does not exceed \$5,000.00.

**Probiomics** reserves the right to reject any application for new shares where it believes this is not correct or where the application for, or issue of new shares, may breach any law.

### **Issue of New Shares**

New shares will be issued on or about the 7<sup>th</sup> December 2005 and you should receive your holding statement or confirmation advice in respect of the new shares shortly after that date. New shares issued under the **SPP** will rank equally with existing fully paid ordinary shares in **Probiomics**, and will carry the same voting rights, dividend rights and other entitlements at the issue date.

### **Administration of the SPP**

*Administration procedures*

**Probiomics Limited**  
(formally VRI BioMedical Limited)

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Suite G09, 1 Central Avenue, Australian Technology Park, Eveleigh, Sydney NSW 1430, Australia  
Phone: +61 2 9209 4268 Fax: +61 2 9209 4256

The **SPP** will be administered by the board of directors of **Probiomics** ('Board'). The Board may adopt such administrative procedures as it thinks appropriate in relation to the **SPP**. The Board may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the **SPP**, whether generally or in relation to any participant or class of participants, offer, acceptance or shares, and the decision of the Board will be final and binding on all participants and other persons to whom its determination relates. The Board reserves the right to waive compliance with any provision of these terms and conditions.

*Modification, suspension termination*

Subject to the Corporations Act and the ASX Listing Rules, **Probiomics** may in its absolute discretion modify, suspend or terminate the **SPP** at any time, and may also implement another **SPP** in the future, but is not obliged to do so.

**Notices**

Notices and statements to shareholders may be given in any manner permitted by the constitution of **Probiomics**.

**Contacts**

**Probiomics Share Registry:**

Computershare Investor Services Pty Limited.  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Telephone: 1300 855 080 (within Australia) or + 61 3 9415 4000 (outside Australia).  
Facsimile: + 61 2 8235 8212  
web.queries@computershare.com.au

Participation in the **SPP** is entirely voluntary and Probiomics does not make any recommendation or give any advice regarding whether eligible shareholders should participate in the **SPP**. You should consult your professional adviser in relation to this offer and your participation in the **SPP**.

If you have any questions about the **SPP** please contact our **SPP** shareholder Information Line on the above numbers.

Yours sincerely,



Paul B Magoffin,  
Company Secretary

**Probiomics Limited**  
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