

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 st December 2008
Reporting period	1 st July 2007 to 31 st December 2008
Previous period	1 st July 2007 to 31 st December 2007

2. Results for announcement to the market

	31 Dec 2008	31 Dec 2007	% change
2.1 Revenues from continuing operations	\$426,459	\$210,248	102%
2.2 Loss from continuing operations after tax attributable to members	\$177,290	\$802,115	78%
2.3 Net loss attributable to members	\$177,290	\$802,115	78%
2.4 Proposed dividends	nil	nil	
2.5 Not applicable			
2.6 Refer attached report.			
3. Net tangible asset per security	0.2c	0.3c	
4. The company did not gain or lose control over any other entity during the reporting Period.			
5. There were no payments of dividends during the reporting period.			
6. There is no dividend reinvestment plan in operation.			
7. There are no associates or joint venture entities.			
8. The company is not a foreign entity.			
9. 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
27 February 2009

Probiomics Limited
ACN 084 464 193

**Interim Financial Report for the half-year ended
31 December 2008**

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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

Sprusons & Ferguson Lawyers
Level 35, St Martins Tower
31 Market Street,
SYDNEY NSW 2001

Internet Address

www.probiomics.com.au

Directors' Report

Your directors submit their report for the half-year ended 31 December 2008.

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 (appointed Chairman 24 July 2008)

Mr S. O'Loughlin (appointed 31 July 2008)

Mr S. Taylor (appointed 25 July 2008)

Dr B. Walsh (retired 7 August 2008)

Prof. R. Penny (retired 6 August 2008)

REVIEW AND RESULTS OF OPERATIONS

Sales revenues were up 102% , predominantly due to better than expected sales to overseas customers. Expenses are 58% better as a result of business right sizing initiatives put in place over the past 12 months.

The company is in advanced negotiations a with major probiotic company for the for global marketing and distribution of products in regions not committed to Nuvanta.

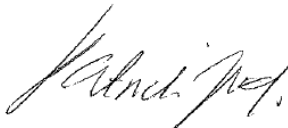
The relationship with Nestle continues to mature. The clinical trials funded by Nestle are underway and are advancing through to the next milestone.

The operational result, a loss of \$ 177,290 before tax is an improvement of 78 % compared to the same period last year due to combination of improved revenues and decline in expenses.

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, 27 February 2009

RSM Bird Cameron Partners
Chartered Accountants

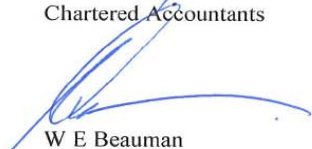
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Probiomics Limited for the half year ended 31 December 2008, 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 PARTNERS
Chartered Accountants


W E Beuman
Partner

Sydney NSW
Dated: 27 February 2009

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Condensed Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$	31 December 2007 \$
Revenue	4(a)	426,459	210,248
Cost of sales		(244,188)	(59,187)
Gross profit		182,271	151,061
Other income	4(a)	71,823	62,645
Other expenses	4(a)	(431,384)	(1,015,821)
Loss before income tax		(177,290)	(802,115)
Income tax rebate		-	-
Loss after tax		(177,290)	(802,115)
Net loss for period		(177,290)	(802,115)
Earnings per share attributable to ordinary equity holders of the company			
- basic for loss for half-year (cents per share)		(0.08)	(0.5)
- diluted for loss for half-year (cents per share)		(0.08)	(0.5)

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

Balance Sheet

AS AT 31 DECEMBER 2008

	NOTES	As at 31 December 2008 \$	As at 30 June 2008 \$
ASSETS			
Current assets			
Cash and cash equivalents		403,864	196,827
Trade and other receivables		34,599	244,480
Inventories		21,316	24,709
Prepayments		-	-
Total current assets		459,779	466,016
Non-current assets			
Plant and equipment		8,679	16,404
Total non-current assets		8,679	16,404
TOTAL ASSETS		468,458	482,420
LIABILITIES			
Current liabilities			
Trade and other payables		443,140	584,813
Convertible Notes		500,000	-
Total current liabilities		963,869	605,542
Non-current liabilities			
Provisions		-	-
Convertible Notes		-	500,000
TOTAL LIABILITIES		963,869	1,105,542
NET (LIABILITIES)/ ASSETS		(495,411)	(623,122)
EQUITY			
Contributed equity	8	27,215,519	26,933,518
Reserves		262,920	239,920
Accumulated losses		(27,973,850)	(27,796,560)
TOTAL EQUITY		(495,411)	(623,122)

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 2008

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2008	26,933,518	(27,796,560)	239,920	(623,122)
Transaction costs on share issue	-	-	-	-
Loss recognised in equity	-	-	-	-
Loss for the period	-	(177,290)	-	(177,290)
Total income and expense for the period	-	(177,290)	-	(177,290)
Shares issued	300,000	-	-	300,000
Cost of Issue of Shares	(18,000)	-	-	(18,000)
Cost of share-based payments	-	-	23,000	23,000
At 31 December 2008	27,215,519	(27,973,850)	262,920	(495,411)

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2007	26,444,140	(26,465,414)	239,920	218,646
Transaction costs on share issue	-	-	-	-
Loss recognised in equity	-	-	-	-
Loss for the period	-	(802,115)	-	(802,115)
Total income and expense for the period	-	(802,115)	-	(802,115)
Shares issued	-	-	-	-
Cost of share-based payments	-	-	-	-
At 31 December 2007	26,444,140	(27,267,529)	239,920	(583,469)

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

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTES

	31 December 2008 \$	31 December 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	582,468	472,646
Payments to suppliers and employees	(693,425)	(1,026,582)
Interest received /(paid)	(3,595)	(2,622)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(114,552)	(556,558)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	-	-
Acquisition of property, plant & equipment	5,060	(4,458)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	5,060	(4,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	300,000	-
Payment of share issue costs	(24,200)	-
Proceeds from issue of convertible notes	-	500,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	275,800	500,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	166,308	(61,016)
ADD OPENING CASH AND CASH EQUIVALENTS BROUGHT FORWARD	237,556	298,572
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	403,864	237,556

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 2008

1 CORPORATE INFORMATION

The financial report of Probiomics Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue, in accordance with a resolution of the directors, on 27th February 2009. Probiomics Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Probiomics Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any other public announcements made by Probiomics Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the ASX listing rules.

(a) Basis of preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134, *Interim Financial Reporting*, *Australian Accounting Interpretations* and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going concern

This half-year financial report has been prepared on a going concern basis. In the half-year ended 31 December 2008 the Company has incurred losses of \$ 177,290 (2007 loss \$ 802,115) and had net cash outflows from operating activities of \$114,552. The Company has a current net asset deficiency of \$504,090. These factors indicate significant uncertainty 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 company's ability to continue as a going concern is dependent on generating sufficient income to cover costs and the completion of an additional capital raisings within the coming months. The directors believe there is no reason to doubt that these sources of funds will become available. Specifically Directors have considered the following:

- 1) \$500,000 in convertible notes will convert to equity prior to repayment falling due,
- 2) an additional capital raising of \$140,000 will occur, and
- 3) the company has forecast sales of \$950,000 over the next 12 months.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

However, should losses continue and/or the future capital raising is not successful and/or note holders do not elect to convert their holdings to equity, or at an amount and timing that is not adequate to meet the future operational plans, or to successfully exploit its intellectual property, the Company may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008 except for the adoption of amended and new accounting standards mandatory for annual reporting periods beginning on or after 1 July 2008. The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company the interim half yearly report for the period ending 31 December 2008. The Directors have yet fully assessed the impact of these new or amended standards and interpretations.

3 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.

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

	Australia		USA		SE ASIA		Consolidated	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Revenue								
Sales to external customers	12,195	124,685	414,264	85,563	-	-	426,459	210,248
Other revenues from external customers	71,823	62,645	-	-	-	-	71,823	62,645
Segment revenue	84,018	187,330	414,264	85,563	-	-	498,282	272,893
Other segment information								
Capital expenditure	-	4,458	-	-	-	-	-	4,458
Segment Depreciation	2,211	8,948	-	-	-	-	2,211	8,948
	Dec 2008 \$	Dec 2007 \$	Dec 2008 \$	Dec 2007 \$	Dec 2008 \$	Dec 2007 \$	Dec 2008 \$	Dec 2007 \$
Segment Assets	468,458	473,716	-	-	-	-	468,458	473,716
Segment Liabilities	963,869	1,057,185	-	-	-	-	963,869	1,057,185

The Company does not perform an analysis of costs and expenses by segment. All costs and expenses are measured on a combined basis and are not allocated between segments.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4 REVENUE, INCOME AND EXPENSES

Revenues from continuing operations.

(a) Revenue, Income and Expenses from Continuing Operations

	CONSOLIDATED	
	2008	2007
	\$	\$
<i>(i) Revenue</i>		
Sale of goods & other revenue	423,472	206,093
Finance revenue – interest received and receivable	2,987	4,155
Total revenue	426,459	210,248
<i>(ii) Other income</i>		
Sundry Income – EMDG grant & other adjustments	71,823	57,765
Foreign currency exchange gains	-	4,880
Other income	-	-
Total other income	71,823	62,645
<i>(iii) Other expenses</i>		
Audit fees and other auditor's services	13,854	76,556
Consultants' fees	102,489	229,293
Depreciation	2,211	8,948
Directors' fees	38,053	65,854
Employee benefits	2,861	208,766
Foreign currency exchange losses	13,811	-
Insurances	35,427	43,582
Intellectual property costs	30,956	66,785
Interest Paid on Convertible Notes	12,500	3,750
Legal expenses	14,613	20,987
Inventory write-off	-	121,095
Rent and outgoings	12,635	33,673
Research & Development costs	74,376	32,397
Share-based payments costs	23,950	-

(b) Seasonality of Operations

The Group's operations are not seasonal.

5 DIVIDENDS PAID AND PROPOSED

No dividends were paid during the half-year ended 31 December 2008 and none are proposed.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6 SHARE-BASED PAYMENT PLANS

The following table sets out the number (No.) and the weighted average exercise prices (WAEP) of and movements in share options issued during the half-year.

	<i>2008</i> <i>No.</i>	<i>2008</i> <i>WAEP</i>	<i>2007</i> <i>No.</i>	<i>2007</i> <i>WAEP</i>
Outstanding at the beginning of the year	8,950,000	\$0.04	12,950,000	\$0.13
Granted during the half-year	17,000,000	-	-	-
Expired during the half-year	(8,950,000)	\$0.04	(4,000,000)	\$0.20
Outstanding at the end of the half-year	17,000,000	\$0.02	8,950,000	\$0.04
Exercisable at the end of the half-year	17,000,000		8,950,000	

The outstanding balance at the end of the half-year is represented by:

- 15,000,000 options over ordinary shares with an exercise price of \$0.02 each, exercisable by 25 November 2013
- 2,000,000 options over ordinary shares with an exercise price of \$0.01 each, exercisable by 3 December 2013

The fair value of the options granted is estimated as at the date of issue using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used to calculate the fair value used for the half-year ended 31 December 2008.

	2008	2007
Dividend yield	0	0
Expected volatility %	30	60
Risk-free interest rate %	5.25	6.75
Expected life of options (years)	5	1
Option exercise price	\$0.001	\$0.04

The estimated fair value of each option at grant date is:

Options issued on 25 November 2008	\$0.001
Options issued on 3 December 2008	\$0.004

There is no share based payment expense accounted in this period as all share based payment transactions have been fully expensed in prior reporting periods.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

7 COMMITMENTS AND CONTINGENCIES

Legal claims

1. The Company received a dividend of 10 cents in a dollar as a final settlement from the liquidation of Pan Pharmaceuticals. The total amount of dividend received was \$ 8,444.16.

2. In the prior period a US based consultant made an alleged claim in the US jurisdiction for consulting fees. The directors have been advised and still maintain that this claim has no basis, as the services were not provided. There have been no subsequent developments in this matter.

8 CONTRIBUTED EQUITY

ISSUED CAPITAL		
	31 December 08 \$	30 June 08 \$
(i) Ordinary shares		
Issued and fully paid	27,215,519	26,933,518
Movements in ordinary shares on issue		
	Number of shares	Value of shares \$
At beginning of the period/ year	202,235,077	176,460,077
At end of the period/ year	232,235,077	202,235,077
(ii) Other reserves		
	31 December 08 \$	30 June 08 \$
Movements in other reserves		
At 1 July 2008	239,920	239,920
Cost of share-based payments	23,000	-
At 31 December 2008	262,920	239,920

9 RELATED PARTY TRANSACTIONS

The following table shows the total amount of transactions that were entered into with related parties for the half-years ended 31 December 2008.

Related party	Purchases from related parties \$	Amounts owed to related parties \$	Options granted to related parties \$
Mr Patrick Ford (i)	20,000	nil	nil
Mr Simon O'Loughlin (ii)	10,381	nil	nil
Mr Simon Taylor	nil	nil	nil

(i) Mr Patrick Ford is a director of Diskdew Pty Ltd that that provided services to the company during the half-year ended 31 December 2008 on normal commercial terms and conditions.

(ii) Mr Simon O'Loughlin is a partner of O'Loughlin Lawyers that provided services to the company during the half-year ended 31 December 2008 on normal commercial terms and conditions.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

10 SHARE ISSUE

During the period the Company issued 30,000,000 ordinary shares for a consideration of \$0.01 per share.

11 EVENTS AFTER BALANCE DATE

None

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; 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.

On behalf of the Board



P. D. Ford
Chairman

Sydney, 27th February 2009

RSM Bird Cameron Partners

Chartered Accountants

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 ("the company") which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2008 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.

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Independence

In conducting our review, we have followed applicable independence requirements of the *Corporations Act 2001*.

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 2008 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(a) 'Basis of preparation – Going concern' to the financial report, there is a material uncertainty which may cast significant doubt about the company's ability to 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 financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


Wayne Beauman
Partner

Sydney, NSW
Dated: 27 February 2009