

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 2009
Reporting period	1 st July 2009 to 31 st December 2009
Previous period	1 st July 2008 to 31 st December 2008

2. Results for announcement to the market

	31 Dec 2009	31 Dec 2008	% change
2.1 Revenues from continuing operations	\$563,725	\$426,459	32%
2.2 Profit (loss) from continuing operations after tax attributable to members	\$212,226	(\$177,290)	n/a
2.3 Net profit (loss) attributable to members	\$212,226	(\$177,290)	n/a
2.4 Proposed dividends	nil	nil	
2.5 Not applicable			
2.6 Refer attached report.			
3. Net tangible asset per security	0.1c	0.2c	
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
26 February 2010

Probiomics Limited
ACN 084 464 193

**Interim Financial Report for the half-year ended
31 December 2009**

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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 2009.

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)

REVIEW AND RESULTS OF OPERATIONS

Sales revenues increased by 32%. Of this, volume of sales in US\$ increased by 87% but were significantly impacted by 40% appreciation of the Australian dollar against the US dollar over the corresponding period. Overall expenses are 30% better and in line with the Company's strategy to improve the operational profitability of the business.

In November 2009, the Company signed an exclusive distribution agreement with Ch Hansen – a leading global player in probiotics – to manufacture and sell PCC in OTC products, dietary supplements, sports nutrition, slimming products, clinical nutrition, beverages and dairy products. As part of the agreement, the Company received signing fees of Euros 50,000 and stands to benefit in the future from the margin on the usage of PCC in Ch Hansen products.

The development and licensing agreement for infants formula & infants medical products with Nestle continues to progress. To this end, the Company received a milestone payment of \$ 100,000 in November 2009 and stands to receive further milestone payments in the future until the launch of products, subject to satisfactory technical and clinical trials by Nestle.

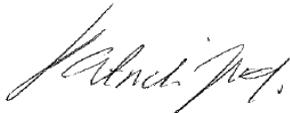
The operational result, a profit of \$ 212,226 before tax is a very significant improvement compared to the same period last year due to combination of improved revenues, receipt of signing fees from Ch Hansen, milestone payment from Nestle and continued decline in expenses.

The Company is currently exploring opportunities for the application of PCC in companion animals and veterinary field. Discussions with a local and an overseas company are in progress.

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, 25 February 2010

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 2009, 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: 25/2/10.

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accounting and consulting firms.



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Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	31 December 2009 \$	31 December 2008 \$
Revenue	4(a)	563,725	426,459
Cost of sales		(261,723)	(244,188)
Gross profit		302,002	182,271
Other income	4(a)	214,414	71,823
Other expenses	4(a)	(304,190)	(431,384)
Profit (Loss) before income tax		212,226	(177,290)
Income tax rebate		-	-
Profit (Loss) after tax		212,226	(177,290)
Net Profit (Loss) for period		212,226	(177,290)
Other Comprehensive Income		-	-
Net Comprehensive Profit (Loss) for period		212,226	(177,290)
Earnings per share attributable to ordinary equity holders of the company			
- basic profit (loss) for half-year (cents per share)		0.07	(0.08)
- diluted profit (loss) for half-year (cents per share)		0.07	(0.08)

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

Statement of Financial Position

AS AT 31 DECEMBER 2009

	NOTES	As at 31 December 2009 \$	As at 30 June 2009 \$
ASSETS			
Current assets			
Cash and cash equivalents		523,496	85,925
Trade and other receivables		14,613	393,020
Total current assets		538,109	478,945
Non-current assets			
Plant and equipment		5,436	6,684
Total non-current assets		5,436	6,684
TOTAL ASSETS		543,545	485,629
LIABILITIES			
Current liabilities			
Trade and other payables		238,173	371,755
Government Grants		-	20,729
Convertible Notes		50,000	50,000
Total current liabilities		288,174	442,484
TOTAL LIABILITIES		288,174	442,484
NET (LIABILITIES)/ ASSETS		255,371	43,145
EQUITY			
Contributed equity	8	27,761,399	27,761,399
Reserves		289,212	289,212
Accumulated losses		(27,795,240)	(28,007,466)
TOTAL EQUITY		255,371	43,145

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 2009

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2009	27,761,399	(28,007,466)	289,212	43,145
Transaction costs on share issue	-	-	-	-
Total comprehensive income and expense for the period	-	212,226	-	212,226
Shares issued	-	-	-	-
Cost of Issue of Shares	-	-	-	-
Cost of share-based payments	-	-	-	-
At 31 December 2009	27,761,399	(27,795,240)	289,212	255,371

	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	-	-	-	-
Total comprehensive income and expense for the period	-	(177,290)	-	(177,290)
Shares issued	282,000	-	-	282,000
Cost of share-based payments	-	-	23,000	23,000
At 31 December 2008	27,215,518	(27,973,850)	262,920	(495,412)

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

Statement of Cash Flow

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTES

	31 December 2009 \$	31 December 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,116,360	582,468
Payments to suppliers and employees	(704,486)	(693,425)
Receipt of government grants	32,913	-
Interest received	205	-
Interest paid	(7,420)	(3,595)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	437,571	(114,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	-	-
Acquisition of property, plant & equipment	-	5,060
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	-	5,060
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	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	275,800
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	437,571	166,308
ADD OPENING CASH AND CASH EQUIVALENTS BROUGHT FORWARD	85,925	237,556
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	523,496	403,864

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 2009

1 CORPORATE INFORMATION

The financial report of Probiomics Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue, in accordance with a resolution of the directors, on 26th February 2010. 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 2009.

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 2009 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*, including 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 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.

(b) Change in accounting policy

The company has adopted the following new and revised Australian Accounting Standards issued by AASB which are mandatory to apply to the current interim period. Disclosure required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of financial statements

The company has applied the revised *AASB 101 Presentation of Financial Statements (2007)* from 1 January 2009. The revision of this standard now requires the company to present all non-owner changes to equity ('comprehensive income') in the statement of comprehensive income. The company has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised *AASB 101*.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(ii) Segment Reporting

The company has applied *AASB 8 Operating Segment* with effect from 1 July 2009. Previously operating segments were reported in accordance with *AASB 114 Segment reporting*. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the company to allocate resources and assess performance. In the case of the company the chief operating decision maker is the Board of Directors.

As a result of the adoption of AASB 8, the company's reportable segments have changed. Operating segments now represent the basis on which the company reports its segment information to the Board on monthly basis. Comparative segment information has been represented to comply with AASB 8. The change in policy has resulted in a change to disclosure presented and not the company's profit or earnings per share.

(c) 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 2009 except for the adoption of amended and new accounting standards mandatory for annual reporting periods beginning on or after 1 July 2009. 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 2009. 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. 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 2009 \$	Dec 2008 \$	Dec 2009 \$	Dec 2008 \$	Dec 2009 \$	Dec 2008 \$	Dec 2009 \$	Dec 2008 \$
Revenue								
Sales to external customers	11,864	12,195	551,861	414,264	-	-	563,725	426,459
Other revenues from external customers	32,914	71,823	-	-	181,500	-	214,414	71,823
Segment revenue	44,778	84,018	551,861	414,264	181,500	-	778,139	498,282
Other segment information								
Segment Depreciation	1,248	2,211	-	-	-	-	1,248	2,211
Segment Assets	5,436	6,684	-	-	-	-	5,436	6,684

The company has one major customer in the US, which accounted for 97.8% of revenues in (2009), and 97.14% of total revenue in (2008).

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4 REVENUE, INCOME AND EXPENSES

Revenues from continuing operations.

(a) Revenue, Income and Expenses from Continuing Operations

	2009	2008
	\$	\$
(i) Revenue		
Sale of goods & other revenue	563,520	423,472
Finance revenue – interest received and receivable	205	2,987
Total revenue	563,725	426,459
(ii) Other income		
Sundry Income – EMDG grant & other adjustments	32,914	71,823
Other income	181,500	-
Total other income	214,414	71,823
(iii) Other expenses		
Audit fees and other auditor's services	12,500	13,854
Consultants' fees	66,096	102,489
Depreciation	1,248	2,211
Directors' fees	38,160	38,053
Employee benefits	2,082	2,861
Foreign currency exchange losses	10,106	13,811
Insurances	31,854	35,427
Intellectual property costs	45,792	30,956
Interest Paid	6,901	12,500
Legal expenses	9,866	14,613
Rent and outgoings	9,156	12,635
Research & Development costs	17,884	74,376
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 2009 and none are proposed.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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>2009</i> <i>No.</i>	<i>2008</i> <i>WAEP</i>	<i>2008</i> <i>No.</i>	<i>2008</i> <i>WAEP</i>
Outstanding at the beginning of the year	19,500,000	\$0.10	8,950,000	\$0.04
Granted during the half-year	-	-	17,000,000	-
Expired during the half-year	-		(8,950,000)	\$0.04
Outstanding at the end of the half-year	19,500,000	\$0.10	17,000,000	\$0.02
Exercisable at the end of the half-year	19,500,000		17,000,000	

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
- 2,500,000 options over ordinary shares with an exercise price of \$0.02 each, exercisable by 24 May 2014.

7 COMMITMENTS AND CONTINGENCIES

Legal claims

In the prior period a US based consultant made an alleged claim in the US jurisdiction for consulting fees. This matter was settled during the financial year ending 30 June 2009. However, during this reporting period, the Company had to pay interest of \$ 6,043 for the period the claim was outstanding. The matter is now closed.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

8 CONTRIBUTED EQUITY

ISSUED CAPITAL		
	31 December 09 \$	30 June 09 \$
(i) Ordinary shares		
Issued and fully paid	27,761,399	27,761,399
Movements in ordinary shares on issue		
	Number of shares	Value of shares \$
At beginning of the period/ year	294,235,077	27,761,399
At end of the period/ year	294,235,077	27,761,399
(ii) Other reserves		
	31 December 09 \$	30 June 09 \$
Movements in other reserves		
At 1 July 2009	289,212	289,212
Cost of share-based payments	-	-
At 31 December 2009	289,212	289,212

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)	4,000	nil	nil
Mr Simon O'Loughlin (ii)	851	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 2009 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 2009 on normal commercial terms and conditions.

10 SHARE ISSUE

During the period the Company did not issue any shares.

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 2009 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, 25th February 2010

RSM Bird Cameron Partners

Chartered Accountants

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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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 establishing and maintaining internal controls 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 2009 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

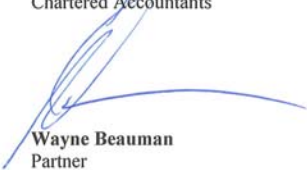
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2009 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*.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


Wayne Beuman
Partner

Sydney, NSW
Dated: 25/2/10