

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 2010
Reporting period	1 st July 2009 to 31 st December 2010
Previous period	1 st July 2008 to 31 st December 2009

2. Results for announcement to the market

	31 Dec 2010	31 Dec 2009	% change
2.1 Revenues from continuing operations	\$549,823	\$563,725	(2%)
2.2 Profit (loss) from continuing operations after tax attributable to members	\$17,219	\$212,226	(92%)
2.3 Net profit (loss) attributable to members	\$17,219	\$212,226	(92%)
2.4 Proposed dividends	nil	nil	
2.5 Not applicable			
2.6 Refer attached report.			
3. Net tangible asset per security	0.1c	0.1c	
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
28th February 2011

Probiomics Limited
ACN 084 464 193

Interim Financial Report for the half-year ended
31 December 2010

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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 2010.

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 2%. Of this, volume of sales in US\$ decreased slightly but was significantly impacted by 15 % 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. It is anticipated that results of this agreement will start to flow to the bottom line in 2012.

The development and licensing agreement for infants formula & infants medical products with Nestle continues to progress, with the anticipated launch of Infants Medical formula in late 2013, early 2014. To this end, the Company stands to receive further milestone payments in the future until the launch of products, subject to satisfactory technical and clinical trials by Nestle.

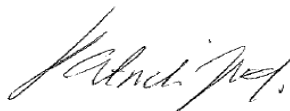
The operational result, a profit of \$ 17,219 before tax is lower than previous year due to one off signing fees from Ch Hansen, milestone payment from Nestle which were received during the six months ended 31 December 2009.

The Company has been able to obtain registration of PCC for veterinary application under the ProbiaVet brand and is currently exploring distribution rights with local and an overseas company in veterinary field.

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, 28 February 2011

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Probiomix Limited for the half year ended 31 December 2010, 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 BEAUMAN
Partner

Sydney NSW
Dated: 25 February 2011

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Professional Standards
Legislation

Major Offices in:
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Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010 \$	31 December 2009 \$
Revenue	3(a)	549,823	563,725
Cost of sales		(296,521)	(261,723)
Gross profit		253,302	302,002
Other income	3(a)	26,632	214,414
Other expenses	3(a)	(262,715)	(304,190)
Profit (Loss) before income tax		17,219	212,226
Income tax rebate		-	-
Profit (Loss) after tax		17,219	212,226
Net Profit (Loss) for period		17,219	212,226
Other Comprehensive Income		-	-
Net Comprehensive Profit (Loss) for period		17,219	212,226
Earnings per share attributable to ordinary equity holders of the company			
- basic profit (loss) for half-year (cents per share)		0.01	0.07
- diluted profit (loss) for half-year (cents per share)		0.01	0.07

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

Statement of Financial Position

AS AT 31 DECEMBER 2010

	NOTES	As at 31 December 2010 \$	As at 30 June 2010 \$
ASSETS			
Current assets			
Cash and cash equivalents		224,599	237,997
Trade and other receivables		8,798	56,399
Total current assets		233,397	294,396
Non-current assets			
Plant and equipment		3,406	4,187
Total non-current assets		3,406	4,187
TOTAL ASSETS		236,803	298,583
LIABILITIES			
Current liabilities			
Trade and other payables		96,295	125,294
Convertible Notes		-	50,000
Total current liabilities		96,295	175,294
TOTAL LIABILITIES		96,295	175,294
NET (LIABILITIES)/ ASSETS		140,508	123,289
EQUITY			
Contributed equity		27,761,399	27,761,399
Reserves		289,212	289,212
Accumulated losses		(27,910,103)	(27,927,322)
TOTAL EQUITY		140,508	123,289

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 2010

	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 Issue of Shares	-	-	-	-
Cost of share-based payments	-	-	-	-
At 31 December 2009	27,761,399	(27,910,103)	289,212	140,508

	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 share-based payments	-	-	-	-
At 31 December 2009	27,761,399	(27,795,240)	289,212	255,371

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 2010

NOTES

	31 December 2010 \$	31 December 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	596,626	1,116,360
Payments to suppliers and employees	(583,938)	(704,486)
Receipt of government grants	27,500	32,913
Interest received	120	205
Interest paid	(3,707)	(7,420)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	36,602	437,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	-	-
Acquisition of property, plant & equipment	-	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	-	-
Payment of share issue costs	-	-
Payment of convertible notes	-	-
	(50,000)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(50,000)	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(13,398)	437,571
ADD OPENING CASH AND CASH EQUIVALENTS BROUGHT FORWARD	237,997	85,925
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	224,599	523,496

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 2010

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 2010 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 Probiomix 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 2010 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.

The company currently derives 95% of its sales from one customer. The company is dependent on receiving ongoing orders from the customer or identifying alternate revenue streams to continue generating profits and operating cash flows. The company does not have firm orders for all projected sales for the 12 month period from the date of this report.

This factor indicates 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 to believe that the company will be able to continue as a going concern, after consideration of the following factors:

- The company has prepared detailed budgets based on past experience and directors best estimates of future sales, which indicate the company will continue to trade profitably and generate positive cash flows;
- the expectation that the company will be successful in generating additional sales revenue; and
- the successful commercialisation and further development of its probiotic technology is expected to result in royalty payments for the company.

Accordingly, the Directors believe that the company will be able to continue as a going concern and 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 2010

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 2010	Dec 2009	Dec 2010	Dec 2009	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales to external customers	-	11,864	549,823	551,861	-	-	549,823	563,725
Other revenues from external customers	26,632	32,914	-	-	-	181,500	26,632	214,414
Segment revenue	26,632	44,778	549,823	551,861	-	181,500	576,455	778,139
Other segment information								
Segment Depreciation	781	1,248	-	-	-	-	781	1,248
Segment Assets	236,803	543,545	-	-	-	-	236,803	543,545

The company has one major customer in the US, which accounts for 95% of revenues.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3 REVENUE, INCOME AND EXPENSES

Revenues from continuing operations.

(a) Revenue, Income and Expenses from Continuing Operations

	2010	2009
	\$	\$
(i) Revenue		
Sale of goods & other revenue	549,823	563,725
Total revenue	549,823	563,725
(ii) Other income		
Sundry Income – EMDG grant & other adjustments	27,500	32,914
Other income including interest	(868)	181,500
Total other income	26,632	214,414
(iii) Other expenses		
Audit fees and other auditor's services	12,170	12,500
Consultants' fees	61,407	66,096
Depreciation	781	1,248
Directors' fees	39,458	38,160
Employee benefits	2,082	2,082
Foreign currency exchange losses	988	10,106
Insurances	21,482	31,854
Intellectual property costs	1,575	45,792
Interest Paid	1,745	6,901
Legal expenses	-	9,866
Rent and outgoings	10,598	9,156
Research & Development costs	26,912	17,884
Foreign Exchange Loss	47,463	10,106

(b) Seasonality of Operations

The Group's operations are not seasonal.

4 DIVIDENDS PAID AND PROPOSED

No dividends were paid during the half-year ended 31 December 2010 and none are proposed.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5 COMMITMENTS AND CONTINGENCIES

Legal claims

None.

6 RELATED PARTY TRANSACTIONS

There were no related party transactions entered during the half-years ended 31 December 2010.

7 SHARE ISSUE

During the period the Company did not issue any shares.

8 EVENTS AFTER BALANCE DATE

None

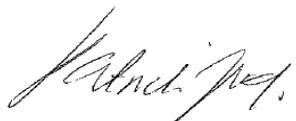
Directors' Declaration

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 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 2010 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.

On behalf of the Board



P. D. Ford
Chairman

Sydney, 28 February 2011

RSM Bird Cameron Partners
Chartered Accountants

RSM Bird Cameron Partners
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GPO Box 5138 Sydney NSW 2001
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PROBIOMIX LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Probiomix Limited which comprises the statement of financial position as at 31 December 2010, 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 of company.

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 2010 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 Probiomix 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 Probiomix Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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RSM Bird Cameron Partners

Chartered Accountants

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 Probiomix 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 30 December 2010 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 qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the company is dependent on receiving ongoing orders from a key customer or identifying alternate revenue streams to continue generating profits and operating cash flows. These conditions, along with other matters as set forth in Note 1, indicate the existence of a significant 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.

RSM Bird Cameron

RSM BIRD CAMERON PARTNERS

Chartered Accountants



W E Beauman
Partner

Sydney, NSW
Dated: 28 February 2011