The Companies Announcements Office,
The Australian Stock Exchange Limited,
SYDNEY
Via: asxonline
27th August 2008

APPENDIX 4E

The results for announcement to the market are as follows:-

1. The reporting period is twelve months from 1st July 2007 to 30th June 2008. The previous reporting period is twelve months to 30th June 2007.

2. Key information relating to the above reporting period is as follows:-

	30 June 2008	30 June 2007	% change
Revenues from ordinary activities	$ 682,852	$ 837,092	down 18 %
Loss from ordinary activities after tax attributable to members	$1,331,146	$1,763,157	down 24.5 %
Net loss attributable to members	$1,331,146	$1,726,026	down 24.5 %
Proposed dividend	Nil	Nil	
Not applicable			
Refer attached report			
Net tangible assets per issued security	$0.0023	$0.0034	

4. The company did not gain or lose control over any other entity during the reporting period.
5. There was no payment 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 to 14 – see attached financials

15. The accounts are in the process of being audited.

COMMENTARY ON RESULTS FOR THE PERIOD

REVENUE

The decline in sales is predominantly due to the S.E. Asian distributor Nuvanta, not placing any further orders during the year. These sales have been affected by the stability issues surrounding the type of packaging desired by Nuvanta. An alternative packaging has been offered and a new pricing is under negotiation. Offsetting the decreased sales revenue are milestone payments from Nestle Nutrition project, resulting in total revenues being flat in relation to the previous year.

EXPENDITURE

The company has effectively been restructured over the past four months reducing the scale of the operation to better suit the current business strategies and income levels. Operational expenditure has been reduced by 24.5 % overall compared to the previous year, due to a continued reduction in administrative and corporate expenditure. Of the total administrative expenditure, some 16 % is directly attributed to the work undertaken regarding the proposed Minomic International Limited merger transaction (which was subsequently withdrawn)..

BUSINESS STRATEGY

The focus of the company remains to secure global licensing and distribution agreements with major companies for its probiotic products in Australia and overseas and to improve both the knowledge of our products and the uses for our products in the global health market. In line with this strategy, the company is continuing trials in cooperation with the major global distributor Chr Hansen and with the global food and nutrition company Nestle Nutrition. Although, it is disappointing that discussions with Minomic International terminated without a successful acquisition (due to the late stage withdrawal by the Minomic Board), this leaves the company to concentrate upon its core products and intellectual property.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 $	2007 $
Sale of goods	2(a)	**674,563**	837,092
Interest revenue	2(a)	**8,289**	22,546
Revenue		**682,852**	859,638
Cost of sales		**(505,546)**	(628,826)
Gross profit		**177,306**	230,812
Other income	2(b)	**257,526**	(30,565)
Research and development expenses		**(45,615)**	(294,347)
Intellectual property expenses		**(99,607)**	(73,152)
Marketing expenses		**(10,000)**	(176,371)
Administrative and corporate expenses	2(c)	**(1,564,126)**	(1,682,372)
Finance costs	2(c)	**(46,630)**	(4,686)
Loss before income tax		**(1,331,146)**	(2,030,681)
Income tax refund	3	**-**	267,524
Loss after tax attributable to members of the parent		**(1,331,146)**	(1,763,157)
Basic loss per share (cents per share)	5	(0.75)	(1.08)
Diluted loss per share (cents per share)	5	(0.75)	(1.06)

The accompanying notes form part of these financial statements.

Balance Sheet

AS AT 30 JUNE 2008

	NOTES	2008 $	2007 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**196,827**	298,572
Trade and other receivables	7	**244,480**	91,238
Inventories	8	**24,709**	157,869
Prepayments		**-**	3,993
Total current assets		**466,016**	551,672
Non-current assets			
Plant and equipment	9	**16,404**	58,460
Total non-current assets		**16,404**	58,460
TOTAL ASSETS		**482,420**	610,132
LIABILITIES			
Current liabilities			
Trade and other payables	10	**584,813**	329,397
Short term provisions	11	**-**	38,223
Government grants		**20,729**	20,729
Financial liabilities	12	**500,000**	-
Total current liabilities		**1,105,542**	388,349
Non-current liabilities			
Long term provisions	11	-	3,137
Total non-current liabilities		-	3,137
TOTAL LIABILITIES		**1,105,542**	391,486
NET ASSETS		**(623,122)**	218,646
EQUITY			
Issued capital	13	**26,933,518**	26,444,140
Reserves	14	**239,920**	239,920
Accumulated losses		**(27,796,560)**	(26,465,414)
TOTAL EQUITY		**(623,122)**	218,646

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2006	24,990,320	(24,702,257)	122,520	410,583
Shares issued during the year	1,525,075	-	-	1,525,075
Transaction cost on share issues	(71,255)	-	-	(71,255)
Loss for the year	-	(1,763,157)	-	(1,763,157)
Cost of share-based payments	-	-	117,400	117,400
Balance at 30 June 2007	26,444,140	(26,465,414)	239,920	218,646
Shares issued during the year	515,500	-	-	515,500
Transaction cost on share issues	(26,122)	-	-	(26,122)
Loss for the year	-	(1,331,146)	-	(1,331,146)
Balance at 30 June 2008	26,933,518	(27,796,560)	239,920	(623,122)

The accompanying notes form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**864,188**	1,424,957
Payments to suppliers and employees		**(1,929,069)**	(3,070,204)
Receipt of tax rebate on R&D expenditure		**-**	267,524
Interest received		**8,371**	22,546
Finance costs		**(33,130)**	-
NET CASH USED IN OPERATING ACTIVITIES	6	**(1,089,640)**	(1,355,177)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		**5,053**	900
Purchase of plant and equipment		**(6,536)**	(10,398)
NET CASH USED IN INVESTING ACTIVITIES		**(1,483)**	(9,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**515,500**	1,525,075
Payment of share issue costs		**(26,122)**	(71,255)
Proceeds from issue of convertible notes		**500,000**	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**989,378**	1,453,820
NET INCREASE/(DECREASE) IN CASH HELD		**(101,745)**	89,145
CASH AT BEGINNING OF FINANCIAL YEAR		**298,572**	209,427
CASH AT END OF FINANCIAL YEAR	6	**196,827**	298,572

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Probiomics Limited as an individual entity. Probiomics Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Going concern

The company generated a net loss of $1,331,146 and negative cash flows from operations of $1,089,640 in the year ended 30 June 2008. As at balance date, the company had a negative net asset position of $623,122.

Post 30 June 2008, the convertible notes of $500,000 were rolled forward for another year and are not payable until September 2009 at the earliest. Also, $300,000 was raised through a share placement.

The continuing viability of the company and its ability to continue as a going concern and meet its debts as they fall due in future years are dependent upon:

(i) the company being successful in negotiating and obtaining additional funding; and

(ii) the successful commercialisation and further development of its probiotic technology.

The directors believe that the company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The directors regularly monitor the company's cash position. They also consider a number of strategic and operational plans and initiatives on an on-going basis to ensure that adequate funding continues to be available for the company to meet its business objectives.

In the event that the company becomes unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those currently stated in the financial report.

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income tax (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of products includes direct materials and transportation costs. Costs are assigned on a first-in first-out basis.

(d) Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset’s employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset’s useful life to the company commencing from the time the asset is held ready for use.

Depreciation is calculated on a diminishing-value basis over the estimated useful life of the assets as follows:-

Plant and equipment – ranging from 2 to 20 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(f) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(i) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST)

(l) Borrowing Costs

Borrowing costs are recognised in income statement in the period in which they are incurred.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key judgements – taxation losses

The company has substantial carry-forward losses for Australian taxation purposes. Deferred tax assets arising from both temporary differences and tax losses are not recognised as their realisation is not considered to be probable.

	2008	2007
	$	$
NOTE 2: REVENUES AND EXPENSES		
(a) Revenue		
Sales revenue - sale of goods	**674,563**	837,092
Interest revenue received from other persons	**8,289**	22,546
	682,852	859,638
(b) Other income		
Government grants refunded	**-**	(30,565)
Licence agreement milestone payments	**175,000**	-
Other income	**82,526**	-
	257,526	(30,565)
(c) Expenses		
Cost of sales	**505,546**	628,826
Finance costs paid to external parties	**46,630**	4,686
Depreciation	**14,408**	17,015
Foreign currency translation losses	**1,499**	(4,985)
Bad and doubtful debts – trade receivables	**-**	212,904
Net loss on disposal of plant and equipment	**29,131**	12,798
Write-off of obsolete stock	**142,952**	75,532
Share based payment expense	**-**	117,400

NOTE 3: INCOME TAX

The components of income tax expense (benefit) comprise:		
Current income tax		
Research and development rebate received in respect of the year ended 30 June 2007	**-**	(267,524)
Income tax expense (benefit) reported in the income statement	**-**	(267,524)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	2008 **$**	2007 $
NOTE 3: INCOME TAX (continued)		
Prima facie tax payable (benefit) on profit (loss) from ordinary activities before income tax at 30% (2007: 30%)	(399,344)	(609,204)
Expenditure not allowable for income tax purposes	8,957	4,197
Losses not brought to account	390,387	605,007
Research and development tax rebate	-	(267,524)
Income tax expense (benefit) attributable to the company	-	(267,524)
The applicable weighted average effective tax rates are as follows:	0%	(13%)

No research and development rebate was received in respect of the year ended 30 June 2008.

At 30 June 2008 the company had not brought to account a deferred tax asset (at 30%) of $7,591,698 made up of tax losses of $7,538,610 and timing differences of $53,088 (2007: tax losses of $7,130,309 and timing differences of $22,925) as realisation of the benefit is not probable.

NOTE 4: DIVIDENDS PAID AND DECLARED

No dividends have been paid or declared in the reporting period.

NOTE 5: EARNINGS PER SHARE

Earnings (loss) used to calculate basic and diluted EPS	**1,331,146**	1,763,157
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**176,741,771**	162,893,842
Weighted average number of options outstanding not included in diluted EPS calculations as the options are anti-dilutive in nature.	**10,089,686**	12,950,000

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**196,827**	298,572
Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	**(1,331,146)**	(1,763,157)
Non-cash flows in profit		
Depreciation	**14,408**	17,015
Net loss on disposal of plant and equipment	**29,131**	12,798
Cost of share options	**-**	117,400
Changes in assets and liabilities:		
(Increase)/decrease in inventories	**133,160**	(65,681)
(Increase)/decrease in trade and other receivables	**(153,242)**	587,900
(Increase)/decrease in prepayments	**3,993**	(37)
(Decrease)/increase in trade and other payables	**255,416**	(296,733)
(Decrease)/increase in provisions	**(41,360)**	4,753
Decrease/(increase) in government grants	-	30,565
Net cash flows from operating activities	**(1,089,640)**	(1,355,177)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	2008 $	2007 $
NOTE 7: TRADE AND OTHER RECEIVABLES		
Trade receivables	**188,789**	48,964
Other receivables	**55,691**	42,274
	244,480	91,238
Australian dollar equivalent of amounts receivable in US dollars not formally hedged	**106,169**	45,273
NOTE 8: INVENTORIES		
Raw materials at cost	**24,709**	121,095
Finished goods at cost	**-**	36,774
	24,709	157,869
NOTE 9: PLANT & EQUIPMENT		
Plant and equipment at cost	**40,609**	173,799
Accumulated depreciation	**(24,205)**	(115,339)
	16,404	58,460
Movements in carrying amounts		
Movement in the carrying amounts between the beginning and the end of the financial year		
Balance at 1 July	**58,460**	78,775
Additions	**6,536**	10,398
Disposals	**(34,184)**	(13,698)
Depreciation charge for the year	**(14,408)**	(17,015)
Balance at 30 June	**16,404**	58,460
NOTE 10: TRADE AND OTHER PAYABLES		
Trade payables	**393,898**	261,129
Accrued expenses	**156,230**	51,461
GST liability	**911**	(16,825)
Employee superannuation payable	**8,533**	13,813
PAYG payable	**25,241**	19,819
	584,813	329,397
Trade payables are non-interest bearing and are generally settled on 60 day terms.		
Australian dollar equivalent of amounts payable in US dollars not formally hedged	**74,178**	126,513

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	$	$
NOTE 11: PROVISIONS		
Current		
Employee annual leave		
Opening balance at 1 July	**38,223**	33,363
Additional provisions	**-**	10,722
Amounts used	**(38,223)**	(5,862)
Closing balance at 30 June	**-**	38,223
Non-current		
Employee long service leave		
Opening balance at 1 July	**3,137**	3,245
Additional provisions	**-**	1,712
Unused amounts reversed	**(3,137)**	(1,820)
Closing balance at 30 June	**-**	3,137

NOTE 12: FINANCIAL LIABILITIES

Convertible notes	**500,000**	-

The company has issued unsecured convertible notes of $500,000 maturing in September 2008. The note holders have an option to convert to ordinary shares at 4 cents per share or be repaid. The interest on the notes is 10% per annum and is payable in arrears at the end of every quarter.

NOTE 13: ISSUED CAPITAL

Ordinary shares – issued and fully paid	**26,933,518**	26,444,140

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

Movement in ordinary shares on issue	**Number of shares**	**$**
Ordinary shares at 1 July 2006	**141,672,220**	24,990,320
Issued 14 August 2006 for cash	**20,500,000**	1,025,000
Issued 8 April 2007 for cash	**14,287,857**	500,075
Transaction costs on share issues	**-**	(71,255)
Ordinary shares at 30 June 2007	**176,460,077**	26,444,140
Issued 26 June 2008 for cash	**25,775,000**	515,500
Transaction costs on share issues	**-**	(26,122)
Ordinary shares at 30 June 2008	**202,235,077**	26,933,518

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 14: RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 15: CAPITAL AND LEASING COMMITMENTS

The company had no capital or leasing commitments at 30 June 2007 or 30 June 2008.

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) A US based consultant has made an alleged claim in the US jurisdiction for consulting fees. The directors have been advised that this claim has no basis as the services were not provided.

(b) The company has received a claim from a former employee. The company has denied liability and is defending the claim. It is not possible to estimate the amount of any eventual payment or receipt in relation to this claim.

NOTE 17: SEGMENT INFORMATION

Business segment

The company operates in only one primary and business segment – the biotechnology segment.

Geographical segments

The company's geographical segments are determined based on the location of the company's assets.

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

	Australia		**USA**		**SE ASIA**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenue								
External sales	**29,504**	14,481	**645,059**	514,647	**-**	307,964	**674,563**	837,092
Other revenues from external customers	**265,815**	(8,019)	**-**	-	**-**	-	**265,815**	(8,019)
Segment revenue	**295,319**	6,462	**645,059**	514,647	**-**	307,964	**940,378**	829,073
Other segment information								
Segment assets	**482,420**	489,037	**-**	121,095	**-**	-	**482,420**	610,132
Capital expenditure	**6,536**	10,398	**-**	-	**-**	-	**6,536**	10,398
Segment liabilities	**1,105,542**	391,486	**-**	-	**-**	-	**1,105,542**	391,486
Segment depreciation	**14,408**	17,015	**-**	-	**-**	-	**14,408**	17,015

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

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 18: SHARE BASED PAYMENTS

Employee Share Option Plan
An employee option plan is established whereby Probiomics Limited may, at the discretion of the directors grant options to purchase ordinary shares in the company to certain eligible employees. The options are granted for no consideration and are generally for a term of five years with the exercise price being determined at the discretion of the directors. Generally the options can be exercised at any time during the term of the option period but are not transferable and are not quoted on ASX. Currently there are two employees who hold valid options.

The following table sets out the number and the weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2008 No.	***2008*** *WAEP*	*2007 No.*	*2007 WAEP*
Outstanding at the beginning of the year	**12,950,000**	**$0.13**	4,110,000	$0.39
Granted during the year	**-**	**-**	9,950,000	$0.10
Expired during the year	**(3,125,000)**	**$0.24**	(1,110,000)	$0.41
Outstanding at the end of the year	**9,825,000**	**$0.10**	12,950,000	$0.13
Exercisable at the end of the year	**9,825,000**		12,825,000	

The outstanding balance as at 30 June 2008 is represented by:
- 325,000 options over ordinary shares with an exercise price of $0.10 each, exercisable by 14 September 2008, and
- 9,450,000 options over ordinary shares with an exercise price of $0.10 each, exercisable by 28 November 2008.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 4.8 months (2007: 12.9 months).

No options were granted in the year ended 30 June 2008.

NOTE 19: EVENTS AFTER THE BALANCE SHEET DATE

(a) On 31 July 2008, the company announced that it would be raising $ 300,000 for working capital through Taylor Collison. This has now been completed.

(b) Convertible notes of $ 500,000 maturing in September 2008 have been rolled over for another 12 months.

(c) The board of of Minomic International Limited has withdrawn from the merger with Probiomics Limited due to the decline in the share price of Probiomics Limited.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

	2008 $	2007 $
NOTE 20: AUDITORS' REMUNERATION		
Remuneration of the current auditor, RSM Bird Cameron Partners, for:		
Auditing or reviewing the financial report	**26,000**	-
Remuneration of the previous auditor, Ernst & Young, for		
Auditing or reviewing the financial report	**73,776**	66,200
Other services – special audit required by the regulator	**-**	2,575
	99,776	68,775

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	**Position**
B M Gardiner	Chairman (resigned 23 June 2008)
P D Ford	Non-executive director
R Penny	Non-executive director
B.J. Walsh	Non-executive director (appointed 23 June 2008)
K R Slatyer	Chief Executive Officer (until 28 February 2008)
S. Craig	Chief Executive Officer (from 11 March 2008)
P B Magoffin	Chief Financial Officer & Company Secretary (until 6 July 2007)
A. K. Jairath	Chief Financial Officer & Company Secretary (from 20 July 2007)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Option holdings of key management personnel

	Balance 1.7.2007	*Granted as compe-nsation*	*Options exercised*	*Options lapsed*	*Balance 30.6.2008*	*Vested at 30 June 2008*		
						Total	*Exercisable*	*Not-exercisable*
Directors								
B M Gardiner	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
R Penny	1,250,000	-	-	125,000	1,125,000	1,125,000	1,125,000	-
P D Ford	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Executives								
K R Slatyer	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000	-
P B Magoffin	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
P W French	-	-	-	-	-	-	-	-
P L Conway	-	-	-	-	-	-	-	-
Total	9,250,000	-	-	125,000	9,125,000	9,125,000	9,125,000	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(c) Shareholdings of key management personnel

	Balance 1.7.2007	*Granted as compensation*	*Net change other **	*Balance 30.6.2008*
Directors				
B M Gardiner	-	-	-	-
R Penny	-	-	-	-
P D Ford (i)	3,435,999	-	500,000	3,935,999
Executives				
K R Slatyer	-	-	-	-
P B Magoffin	-	-	-	-
P W French	-	-	-	-
P L Conway	-	-	-	-
Total	3,435,999	-	500,000	3,935,999

* Net change other refers to shares purchased or sold during the financial year.

(i) P D Ford has a beneficial interest in Diskdew Pty Limited which owned 3,935,999 shares at 30 June 2008.

NOTE 22: RELATED PARTY TRANSACTIONS

During the year Probiomics Limited was provided services, on normal terms and conditions, by Diskdew Pty Ltd totalling $41,282. Mr P D Ford is a director of Diskdew Pty Ltd. At 30 June 2008, $18,182 is owed to Diskdew Pty Limited and is included in accrued expenses.

NOTE 23: FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The company does not have any derivative instruments at 30 June 2008.

Financial risk exposures and management

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is managed as the convertible notes have a fixed rate of 10% per annum.

Foreign currency risk

The company is exposed to fluctuations in foreign currencies. Approximately 96% of the company's sales and 98% of the cost of sales are denominated in US dollars. The company does not hedge its foreign currency transactions as there is a natural Australian dollar to US dollar hedge in place.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23: FINANCIAL RISK MANAGEMENT (continued)

(a) Financial Risk Management (continued)

Credit risk

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The company's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the company as it only has a few major customers at this stage of its development.

With respect to credit risk arising from other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the company trades only with recognised third parties, there is no requirement for collateral security.

Liquidity risk

The company's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

(b) Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted average interest rate **2008** **%**	Non-interest bearing **2008** **%**	Floating interest rate **2008** **$**	Fixed interest rate maturing within 1 year **2008** **$**	Total **2008** **$**
Financial Assets					
Cash and cash equivalents	5.95%	-	196,827	-	196,827
Receivables	-	244,480	-	-	244,480
Total financial assets		244,480	196,827	-	441,307
Financial liabilities					
Trade and other payables	-	584,813	-	-	584,813
Convertible notes	10%	-	-	500,000	500,000
Total financial liabilities		584,813	-	500,000	1,084,813

	Weighted average interest rate **2007** **%**	Non-interest bearing **2007** **%**	Floating interest rate **2007** **$**	Fixed interest rate maturing within 1 year **2007** **$**	Total **2007** **$**
Financial Assets					
Cash and cash equivalents	5.04%	-	298,572	-	298,572
Receivables	-	91,238	-	-	91,238
Total financial assets		91,238	298,572	-	389,810
Financial liabilities					
Trade and other payables	-	329,397	-	-	329,397
Total financial liabilities		329,397	-	-	329,397

Trade and other payables are expected to be paid within 6 months.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 23: FINANCIAL RISK MANAGEMENT (continued)

(c) Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and notes to the financial statements.

(d) Sensitivity Analysis

The company has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. The effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant, is not expected to be significant due to the natural hedge in place.

NOTE 24: CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards issued or amended which are applicable to the entity but are not yet effective have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Summary	Application Date (financial years beginning)	Expected Impact
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	Amends AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038 as a result of issue of AASB 8	1 January 2009	Disclosures only
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Amends the majority of standards and interpretations as a result of the issue of AASB 201	1 January 2009	Disclosures only

NOTE 25: COMPANY DETAILS

The registered office and principal place of business of the company is:

Probiomics Limited
Suite 1A
Level 2
802 Pacific Highway
GORDON NSW 2072