



Probiomics Limited
ACN 084 464 193

Notice of general meeting of shareholders

and

Explanatory Memorandum

SPECIAL MEETING:

2.00pm (Sydney time) Thursday 21 September 2006
Room 5B,
Locomotive Workshops Bay 8
Australian Technology Park,
EVELEIGH NSW 1430

A separate proxy form is enclosed.

The Directors recommend that shareholders vote in favour of each of the Resolutions contained in this Notice of Meeting.

Please read the Notice and the accompanying Explanatory Memorandum carefully.

If you are unable to attend the Special Meeting please complete the Proxy Form and return, as directed.

Notice of general meeting of shareholders

NOTICE is hereby given that a General Meeting of Shareholders of Probiomix Limited ("Company") will be held at 2.00pm (Sydney time) on Thursday 21 September, 2006 in room 5B of Locomotive Workshop Bay 8, Australian Technology Park, Eveleigh, NSW, 1430.

AGENDA

ORDINARY BUSINESS

1. Ratification of issue of shares

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

"That in accordance with the provisions of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited (**ASX**) and for all other purposes, the shareholders ratify the previous issue of 20,500,000 ordinary shares in the capital of the Company on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion statement:

In relation to resolution 1, pursuant to ASX Listing Rule 7.5.6 the Company will disregard any votes cast by or on behalf of any person who participated in the issue or their associates. The Company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Issue of options

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

"That approval be given to the granting of the following two options to Biogaia AB, of Sweden."

- (i) an option to purchase 17,000,000 ordinary fully-paid shares in the company at an exercise price of \$0.05 per share to be exercised by 30th September 2006.
- (ii) An option to purchase 18,000,000 ordinary fully paid shares in the company at an exercise price of \$0.08 per share to be exercised by 30th April 2007.

Voting exclusion statement:

In relation to resolution 2, the Company will disregard any votes cast by or on behalf of the Biogaia AB or their associates. The Company however need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Issue of options to Prof. Ronald Penny AO

To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modification:

"That approval be given to the issue by the Company of 500,000 options to acquire ordinary fully paid shares in the capital of the Company exercisable at \$0.10 with an expiry date of 14 September 2008, to Prof. Ronald Penny, in accordance with the terms and conditions of the company's Employee Share Ownership Plan, on the following dates:-

- (i) 250,000 options immediately upon the passing of this resolution,
- (ii) 125,000 options on 20 March 2007, provided that Prof. Penny is still a director of the company.
- (iii) 125,000 options on 20 September 2007 provided that Prof. Penny is still a Director of the Company"

Voting exclusion statement:

Any votes cast on this resolution by Directors of the Company and their associates, except one who is ineligible to participate in an employment incentive scheme in relation to the company, or by Prof Penny and any associate of that person shall be disregarded.

However, the Company need not disregard a vote if:-

- (i) it is cast by a person as proxy for a person who is entitled to vote in accordance with the direction of the proxy form; or*
- (ii) if it cast by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.*

EXPLANATORY MEMORANDUM

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

POINT AT WHICH VOTING RIGHTS ARE DETERMINED

The Board of Directors has determined that, under Corporations Regulations 7.11.37, for the purposes of the general meeting, shares will be taken to be held by the persons who are the registered holders at 7.00pm (Sydney time) on 19 September 2006. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXIES

A shareholder entitled to attend and vote has a right to appoint a proxy. The proxy does not need to be a member of the Company. A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A loose-leaf proxy form is provided with this notice and to be effective must be received by the Company at the Company's registered office:

The Company Secretary
Probiomix Limited
Suite G.09, Australian Technology Park,
1 Central Avenue,
EVELEIGH NSW 1430

*Or by facsimile to the Company on (02) 9209 4256
by not later than 2.00pm (Sydney time) on Tuesday 19 September 2006.*

By Order of the Board

Dated 14 August, 2006
Paul B Magoffin
Company Secretary
Probiomix Limited
ACN 084 464 193

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the general meeting to be held on Thursday 21 September 2006.

ORDINARY BUSINESS

Resolution 1: Ratification of the past issue of shares

Background

Resolution 1 has been proposed so that shareholders may consider, and if though fit, approve for the purposes of ASX Listing Rule 7.4 the issue of a total of 20,500,000 ordinary shares by the Company which have taken place in the past 12 months. The ordinary shares that were issued rank equally with the Company's existing ordinary shares and were issued to fund the Company's operations. The relevant details of the issue to be approved is provided in the table below.

Subscriber	Number of ordinary shares	Date of entry into uncertificated holdings	Consideration
Various persons falling within one of the exemptions specified in section 708 of the Corporations Act 2001 (Cth) who were clients of Tolhurst Noall Limited and Taylor Collison Pty Ltd	20,500,000	14 August 2006	\$0.05 per ordinary share

ASX Listing Rules

ASX Listing Rule 7.1 restricts the number of securities the Company may issue without shareholder approval in a 12 month period to the number which is 15% of its issued capital.

ASX Listing Rule 7.4 allows shareholders to ratify previous issues of securities for the purposes of ASX Listing Rule 7.1. In order to replenish its capacity to issue shares in accordance with ASX Listing Rule 7.1, the Company is seeking shareholder approval of the above issue pursuant to ASX Listing Rule 7.4. This will give the Company the flexibility to raise further funds up to the 15% cap without the need to obtain prior shareholder approval.

Resolution 2: Issue of options

Pursuant to ASX Listing Rule 7.1 shareholder approval is sought for the issue of two tranches of options to purchase shares in the Company, the details of which are set out below.

Biogaia AB, a biotechnology company listed on the Stockholm Stock Exchange, Sweden participated in the share placement announced on 31 July 2006 on the condition that Probiomix grant it options to secure up to 19.9% of the company.

Probiomix negotiated the price of the placement at \$0.05 at the time the share price was \$0.039.

The first option to buy 17,000,000 shares is exercisable at \$0.05 by the 30th September 2006.

The second option to buy 18,000,000 shares is exercisable at \$0.08 by the 30 April 2007.

Probiomix' Board considers that having a company of this calibre on the Probiomix share register will be of significant value for Probiomix' shareholders.

The options will be issued immediately upon the passing of the resolution

If the options are exercised the funds will be used for working capital.

Resolution 3. Issue of options to Prof. Ron Penny AO

ISSUE OF OPTIONS TO DIRECTORS

The obligations and liabilities of non-executive directors of public companies are equal irrespective of the size and maturity of the company. Small cap companies such as PCC can therefore have difficulty in attracting non-executive directors of a sufficiently high calibre – particularly given the relatively low remuneration being paid.

In order to remunerate Directors in addition to the fees they receive and also to encourage them to remain Directors it is considered to be in the best interests of the Company to issue options to the following non-executive director:

Professor Ronald Penny

The issue of these options is in recognition of the additional scientific input provided by Professor Penny over and above his duties as a non-executive director.

The Directors are of the opinion, based on their having made enquiries, that the issue of options to Prof Penny, as part of his remuneration, is reasonable.

In accordance with the requirements of the Australian Stock Exchange's listing rules, shareholder approval is required for the issue of any securities in the company to directors.

Professor Penny is one of Australia's leading immunologists. He graduated with Honours from the University of Sydney in 1960 following which he undertook further studies in haematology, oncology and immunology in the UK and the USA.

Professor Penny set up the first Clinical Immunology Unit in NSW at the Royal Prince Alfred Hospital. In 1979 he was the recipient of the first Doctorate of Science awarded to a member of a clinical department by the University of NSW followed by a Personal Chair in Clinical Immunology in 1988. Professor Penny has published over 350 medical and scientific papers in prestige national and international journals.

Professor Penny is currently Emeritus Professor of Medicine, University of NSW, Senior Clinical Advisor, NSW Health, Chairman of the NSW Government Justice Health Board and a former Chairman of the NSW Blood Products Advisory Committee. He is a director of publicly listed Cryosite Limited.

The Options will not be quoted and will be issued in accordance with the Company's Employment Share Option Plan (**ESOP**). Each Option will entitle Prof Penny to acquire an ordinary share in the Company.

ASX Listing Rule 10.14 provides that a company must not issue securities to directors or their associates under an employee incentive scheme (such as the ESOP) without approval of shareholders. Approval under ASX Listing Rule 10.14 is an exception to the prohibition on a company issuing securities to related parties under ASX Listing Rule 10.11. In compliance with the information requirements of Listing Rule 10.15:

- Subject to shareholder approval being obtained, a maximum of 500,000 Options will be issued to Prof Penny.
- The Options will be issued for no consideration as they form part of Prof Penny's remuneration for performing his role as a director of the Company. Each Option will have an exercise price of \$0.10, and once issued will be exercisable at any time on or before 20th August 2008.
- The only persons, as defined by ASX listing rule 10.14, to have received securities under this scheme since the last time approval was given are:-

Mr Bryan Gardiner, a Director, who was issued 750,000 options to acquire ordinary shares in the Company, for no consideration, at an exercise price of \$0.25. The options had an expiry date of 30th June 2006. Approval for the issue was granted at a General Meeting of the Company held on 8th April 2005.

Sir Victor Garland a Director, who was issued 500,000 options to acquire ordinary shares in the Company, for no consideration, at an exercise price of \$0.25. The options had an expiry date of 30th June 2006. Approval for the issue was granted at a General Meeting of the Company held on 8th April 2005.

Prof. Ron Penny, a Director, who was issued 750,000 options to acquire ordinary shares in the Company, for no consideration, at an exercise price of \$0.25. The options had an expiry date of 30th June 2006. Approval for the issue was granted at a General Meeting of the Company held on 8th April 2005.

- The directors may at their absolute discretion issue options under the ESOP to any person who is a permanent or part time employee or director of the Company.
- The names of all Directors who are eligible to participate in the scheme are as follows:-
Mr Bryan Martin Gardiner
Mr Patrick Ford, and
Prof Ron Penny
- No loan is being made available to Prof Penny in connection with the issue or exercise of the Options.
- The Options will be issued no later than one year after the date of the general meeting, and it is intended that:
 - (i) 250,000 Options will be issued immediately upon the passing of this resolution;
 - (ii) 125,000 Options will be issued on 20 March 2007, provided that Prof Penny is still a Director of the Company, and
 - (iii) 125,000 Options will be issued on 20 September 2007, provided that Prof Penny is still a Director of the Company.



Mark this box with an 'X' if you have made any changes to your address details (see reverse)



All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 4195 Sydney
NSW 2001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2118
www.computershare.com

Securityholder Reference Number (SRN)

Appointment of Proxy

I/We being a member/s of Probiomix Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Probiomix Limited to be held at Room 5B, Locomotive Workshops Bay 8, Australian Technology Park, Eveleigh NSW on Thursday 21 September 2006 at 2.00pm and at any adjournment of that meeting.



IMPORTANT: FOR ITEM 3 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3.

Voting directions to your proxy - please mark



to indicate your directions

For Against Abstain*

Ordinary Business

Item 1 Ratification of Issue of shares

Item 2 Issue of options

Item 3 Issue of options to Prof. Ronald Penny AO

☐	☐	☐
☐	☐	☐
☐	☐	☐

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | where the holding is in one name, the holder must sign. |
| Joint Holding: | where the holding is in more than one name, all of the securityholders should sign. |
| Power of Attorney: | to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 2.00pm on Thursday 21 September 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

- | | |
|-----------|--|
| IN PERSON | Registered Office - Suite G09, 1 Central Avenue, Australian Technology Park, Eveleigh NSW 1430 Australia
Share Registry - Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000 Australia |
| BY MAIL | Registered Office - Suite G09, 1 Central Avenue, Australian Technology Park, Eveleigh NSW 1430 Australia
Share Registry - Computershare Investor Services Pty Limited, GPO Box 4195, Sydney NSW 2001 Australia |
| BY FAX | 61 3 9473 2118 |