

SUN BIOMEDICAL LIMITED
ABN 18 001 285 230
PRELIMINARY FINAL REPORT
APPENDIX 4E
FINANCIAL YEAR ENDED 30 JUNE 2009

1. Details of the reporting period

Reporting period	Previous corresponding period
30 June 2009	30 June 2008

2. Results for announcement to the market

2.1	Revenues from continuing operations	down	79%	to	\$ 33,332
2.2	Loss from ordinary activities before income tax	down	53%	to	(479,097)
2.3	Loss from discontinued operations after income tax Net loss attributable to members of the parent entity	up	44%	to	(3,649,641) (4,128,738)
2.4	Dividends/Distributions	No dividends declared in current or prior year			
2.5	Record date for determining entitlements to dividends	N/A			
2.6	Refer point 14 below for explanation of figures in 2.1 to 2.4 above				

3. Statement of Financial Performance

Refer attached financial statements.

4. Statement of Financial Position

Refer attached financial statements.

5. Statement of Cash Flows

Refer attached financial statements.

6. Details of dividends or distributions

N/A

7. Details of dividend reinvestment plan

N/A

8. Statement of Retained Earnings

Refer attached financial statements.

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9. Net tangible assets per security

	2009	2008
Net tangible assets per ordinary share	\$0.0005	\$(0.002)

10. Details of entities over which control has been gained or lost during the period

N/A

11. Details of associates and joint venture entities

N/A

12. Other significant information

Refer point 14 below.

13. Accounting standards used by foreign entities

N/A

14. Commentary on results and explanatory information

The consolidated loss for the 12 month period ended 30 June 2009 was \$4,128,738 compared to a loss of \$3,557,390 for the previous 12 months ended 30 June 2008.

The loss of \$4,128,738 was split between the Australian based legal operating entity of \$1,661,934 and the loss incurred in the US based drug screening segment of \$2,466,804. The activities in the US drug screening segment were discontinued as at 30 April 2009.

During April 2009, the Company implemented a strategy to protect its intellectual property and preserve its cash resources. The directors determined that this strategy was necessary as the business did not have the sufficient cash resources to sustain the current US manufacturing and distribution infrastructure. Consequently, the Company exercised its first ranking charge over all the assets of the US subsidiary, Sun Biomedical Laboratories, Inc. ("SBL"), which was held as security for the intercompany loan which amounted to US\$3,088,806. The enforcement of security involved transferring the ownership of the drug screening patents to the Company from SBL, the retrenchment of all SBL staff and the closure of the premises at Blackwood, New Jersey by the end of April 2009. The entire intercompany loan has been written off as at 30 June 2009.

The Company is continuing to seek offers for its patents and is also evaluating a number of new investment opportunities.

The major component of the loss is the amortisation and impairment of the Sun Biomedical Laboratories intellectual property and patents of \$1,781,824 which includes a

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complete write off of \$1,382,407 in the carrying value of the patents covering the VisualLine and OraLine products. This is discussed in further detail below.

The accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

Some of the key features of the year ended 30 June 2009 include:

- The conclusion of the Rights Issue in August 2008 which raised a total of \$3.179m;
- The restructure and settlement of the final amount owing to Dr Ming and Alice Sun, the founders of SBL, in September 2008 as final consideration for the acquisition of SBL in August 2006;
- The downturn in US drug screening sales as a result of the poor economic conditions;
- The unsuccessful search for a strategic partner for its US subsidiary, Sun Biomedical Laboratories, Inc;
- The termination of the Co-operation Agreement with Shanghai Siyi Biotechnology Co Ltd in April 2009; and
- The enforcement of the first ranking security over the loan to SBL and the closure of the US operations in April 2009.

The table below summarises the sources and applications of the funds raised from the Rights Issue:

	\$'000
Opening cash balance at 1 July 2008	118
Gross proceeds from 2008 capital raising	3,179
Costs of capital raising	(450)
Available cash after capital raising	2,847
Repayment of Promissory Note to Dr Sun	(608)
US operating costs (net of sales)	(1,145)
US fixed asset purchases	(119)
Australian legal, regulatory and compliance costs	(258)
Other costs of maintaining listed entity in Australia	(345)
Closing cash balance as at 30 June 2009	372

As discussed above, the closure of the US operations on 30 April 2009 resulted in the termination of work on all ongoing projects including China, BioScreens and Oraline VIII. This was clearly not anticipated at the time of the Rights Issue. Additional expenses incurred as a result of the closure were approximately \$250,000.

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Impairment of Intangibles

The loss for the year includes a write down of \$1,382,407 in the carrying value of the patents covering the VisuaLine and OraLine products to zero. The Directors are of the view that this is the prudent approach given the closure of the US manufacturing and distribution operations discussed above. As noted above, the Company now has ownership of the patents and is continuing to seek third party offers.

Top 20 Shareholders

A list of the top 20 shareholders in the Company as at 24 August 2009 is attached to this report.

15. Audit

The report is based on accounts which are currently being audited.

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CONSOLIDATED INCOME STATEMENT

	2009 A\$'000	2008 A\$'000
Revenue from continuing operations - <i>refer Note 1 below</i>	33,332	160,598
Expenses - <i>refer Note 3</i>	(512,429)	(1,184,938)
Loss before income tax	(479,097)	(1,024,340)
Income tax expense	-	-
Loss for the period from continuing operations	(479,097)	(1,024,340)
Loss from discontinued operations - <i>refer Note 2</i>	(3,649,641)	(2,533,050)
Loss for the period attributable to members	(4,128,738)	(3,557,390)
Basic Earnings Per Share	(0.53) cents	(0.97) cents
Diluted Earnings Per Share	(0.53) cents	(0.97) cents

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1

Revenue from continuing operations

	2009 A\$'000	2008 A\$'000
Revenue from Sales	-	30,000
Interest Revenue	33,332	129,203
Other Revenue	-	1,395
	33,332	160,598

Note 2

Discontinued Operations

	2009 A\$'000	2008 A\$'000
Revenues from discontinued operations	836,347	785,018
Expenses from discontinued operations	(4,485,988)	(3,318,068)
Loss before income tax from discontinued operations	(3,649,641)	(2,533,050)

Note 3

Expenses from continuing operations

	2009 A\$'000	2008 A\$'000
Operating expenses		
Employee expenses	-	398,579
Consulting fees	76,644	56,177
Legal fees	70,492	153,336
Administration expenses	116,427	83,750
Travel and accommodation	2,883	62,383
Insurance	16,507	21,903
Advertising and marketing expense	-	15,550
Regulatory compliance expenses	188,172	224,343
Rent	5,461	66,300
Loss on disposal of non current assets	-	5,896
Total operating expenses	476,586	1,088,217
Non cash items		
Equity based payments	35,843	96,721
	512,429	1,184,938

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Note 4
Amortisation and Impairment Expenses

	Consolidated - Current period			Amount (after tax) attributable to members A\$'000
	Before tax A\$'000	Related tax A\$'000	Related outside equity interests A\$'000	
Amortisation of intangibles	399,417	-	-	399,417
Total amortisation of intangibles	399,417	-	-	399,417
Impairment of other intangibles	1,432,992	-	-	1,432,992
Total impairment write-downs	1,432,992	-	-	1,432,992

Note 5
Comparison of Half-Year Profits

	2009 A\$'000	2008 A\$'000
Consolidated profit(loss) after tax attributable to members reported for the 1st half yearly report	(1,255,215)	(1,543,017)
Consolidated profit(loss) after tax attributable to members for the 2nd half year	(2,873,523)	(2,014,373)

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CONSOLIDATED BALANCE SHEET

	2009 A\$'000	2008 A\$'000
Current Assets		
Cash and cash equivalents	371,670	118,223
Trade and other receivables	11,070	270,890
Inventories	-	210,096
Total Current Assets	382,740	599,209
Non-Current Assets		
Property, plant and equipment	2,593	16,988
Intangible assets	-	1,832,410
Total Non-Current Assets	2,593	1,849,398
TOTAL ASSETS	385,333	2,448,607

Current Liabilities		
Trade and other payables	43,357	422,372
Borrowings	-	-
Promissory note	-	1,018,076
Total Current Liabilities	43,357	1,440,448
Non-Current Liabilities		
Promissory note	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	43,357	1,440,448
NET ASSETS	341,976	1,008,159

Equity		
Contributed equity	27,833,891	24,483,424
Reserves	59,600	28,397
Accumulated losses	(27,551,515)	(23,503,662)
Total Equity	341,976	1,008,159

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NOTES TO THE CONSOLIDATED BALANCE SHEET

Consolidated Retained Earnings

	Current Period A\$'000	Previous corresponding period A\$'000
Accumulated losses at the beginning of the financial period	(23,503,662)	(20,125,947)
Tranfers to/(from) reserves	80,885	179,675
Net profit (loss) attributable to members	(4,128,738)	(3,557,390)
Retained Earnings at the end of the financial period	(27,551,515)	(23,503,662)

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CONSOLIDATED CASH FLOW STATEMENT

	2009 A\$'000	2008 A\$'000
Cash flows related to operating activities		
Receipts from customers	726,639	822,882
Payments to suppliers and employees	(2,607,256)	(3,267,321)
Interest and other items of a similar nature received	33,404	41,483
Interest and other costs of finance paid	(12,948)	-
Other	111,479	1,395
Net operating cash flows	(1,748,682)	(2,401,561)
Cash flows related to investing activities		
Payments for purchases of property, plant and equipment	(119,175)	(60,756)
Net investing cash flows	(119,175)	(60,756)

Cash flows related to financing activities		
Proceeds from issues of shares	3,742,637	3,496,418
Proceeds from/(Repayment) of borrowings	(1,171,454)	(1,005,869)
Share issue costs	(449,879)	(356,343)
Net financing cash flows	2,121,304	2,134,206
Net increase (decrease) in cash held	253,447	(328,111)
Cash at beginning of period - <i>refer note below</i>	118,223	446,334
Cash at end of period - <i>refer note below</i>	371,670	118,223

NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of Cash

	2009 A\$'000	2008 A\$'000
Cash on hand and at bank	371,670	118,223
Total cash at end of period	371,670	118,223

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	TOTAL EQUITY
As at 1 July 2007	21,300,481	(20,125,947)	244,212	(3,974)	1,414,772
Shares issued during the year	3,539,285	-	-	-	3,539,285
Transaction costs	(356,342)	-	-	-	(356,342)
Cost of share based payments	-	-	53,854	-	53,854
Transfer to (from) reserves	-	179,675	(179,675)	-	-
Foreign currency translation reserve differences	-	-	-	(86,020)	(86,020)
Total income and expense for the year recognised directly in equity		179,675	(125,821)	(86,020)	3,150,777
Loss for the year		(3,557,390)	-	-	(3,557,390)
As at 1 July 2008	24,483,424	(23,503,662)	118,391	(89,994)	1,008,159
Shares issued during the year	3,800,345	-	-	-	3,800,345
Transaction costs	(449,878)	-	-	-	(449,878)
	-	-	22,094	-	22,094
Transfer to (from) reserves	-	80,885	(80,885)	-	-
Foreign currency translation reserve differences	-	-	-	29,196	29,196
Total income and expense for the year recognised directly in equity		80,885	(58,791)	29,196	3,401,757
Loss for the year		(4,128,738)	-	60,798	(4,067,940)
As at 30 June 2009	27,833,891	(27,551,515)	59,600	-	341,976