



ASX Company Announcement

Investor Update

17 April 2009

1. Update on search for strategic partner

The Directors of Sun Biomedical Limited (ASX Code: SBN) wish to advise that, despite a comprehensive search for a strategic partner for its US subsidiary, Sun Biomedical Laboratories, Inc (SBL), and receipt of confidential expressions of interest from a number of parties, no suitable offers have been received. The Directors consider that this response has been due to the impact of the strong downturn in US economy combined with a lack of capital for investment in businesses, particularly those with negative cash flow.

In view of the termination of the Co-operation Agreement with Shanghai Siyi Biotechnology Co. Ltd, and the continued poor sales performance in the United States, the SBN Board has decided to implement a strategy to protect the intellectual property of the Company whilst preserving the cash resources of SBN. This strategy has become necessary as the business does not have the sufficient cash resources to sustain its current manufacturing and distribution infrastructure. Also, the Board has been informed by the existing major shareholders that further adequate equity capital is not currently available given the performance of the business and the negative outlook for capital markets in the medium term for small cap companies with negative cashflow operations. Accordingly the Directors will seek offers from third parties for the patents as well as look for new opportunities to develop the business. The Directors are firmly of the view that this is the best way to maximize shareholder value. SBN's current cash balance is AUD 600k and it is estimated that it will be between AUD 400k and AUD 450k after the closure of SBL US facility.

SBN has after receiving advice from its US Legal Attorneys issued a letter of demand for the inter company loan owed to it by SBL which currently amounts to USD2.94m and proposes to enforce the first ranking security it holds over all the assets of SBL as security for the loan. The enforcement of security will involve transferring the ownership of the patents from SBL to SBN, the retrenchment of all SBL staff during the next two weeks and the premises at Blackwood, New Jersey will be non-operational by the end of April 2009.

The Directors will keep investors advised of any firm offers it receives for the SBL patents.

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2. SBL operations update

The impact of the strong downturn in US economy, combined with the previously announced termination of the Siyi Cooperation Agreement, has led to the cessation of the key sales initiatives that SBL was working in the last 12 months. An update on each one is set out below:

a) China

As previously advised, the Cooperation Agreement with Shanghai Siyi Biotechnology Co. Ltd (Siyi) was formally terminated by Siyi at the beginning of April 2009. This was an extremely disappointing outcome for the Company given the time and resources that it has expended in pursuing this opportunity and its continued commitment to fulfilling its obligations under the Agreement.

Consequently, the services of SBL's China based consultant will be terminated at the end of April 2009.

The Directors also advise that Siyi does not have any intellectual property rights in SBL's patents.

b) BioScreens

BioScreens continues to experience delays in the delivery of its cup from the Chinese manufacturer. As a result, BioScreens have advised SBL that it was unlikely to be in position to place an order for testing cards before July 2009, at the earliest.

c) Mexico

As previously reported, SBL has not received confirmation from Mexican authorities that OraLine has been approved for importation. The situation remains unchanged and no further development was warranted.

d) Russia

No further orders from the Russian distributor were received. The situation remains unchanged and no further development was warranted.

e) OraLine VIII

In view of the closure of the US facility, no further work is being undertaken on the OraLine VIII mould.

f) United States

1. OraLine distribution

US Oraline sales in calendar 2009 continued to be depressed due to a weak jobs market and expenditure pull back by companies across the US.

2. ProbeLine

The Drug Free Home Kit, www.simplifiedrugtest.com was revised to improve the conversion rate for visitors to the website. This new version was used in email campaigns in early 2009. However, it did not deliver a sufficient sales conversion rate to justify the marketing cost and the venture has been terminated.

For further information in relation to this announcement or any aspects of SBN's operations please visit SBN website at www.sunbiomed.com or contact:

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