



15 November 2010

FOR IMMEDIATE RELEASE

The Company Announcements Platform Australian Securities Exchange By e-lodgment

Dear Sir/ Madam

EXCITING NEW OIL AND GAS OPPORTUNITY

**INITIAL ACQUISITION OF INTEREST IN HIGHLY PROSPECTIVE GINGIN AREA
GAS AND CONDENSATE DISCOVERY**

Highlights

- **Creation of exciting new Oil and Gas company with several exploration plays identified for acquisition in 2011**
- **Acquisition of high quality and experienced Oil and Gas Management Team**
- **Entry into a highly prospective Gingin Area exploration play in EP 389 Perth Basin, Western Australia**
 - **EP 389 includes the Gingin West 1 Discovery which flowed at the rate of 7.5mmcfd of Gas and 375 BCPD on Production Test**
 - **The Gingin West-1 Gas and Condensate discovery flowed at a stabilised rate of 7.66 mmcfdg and 301 BCPD**
 - **Production from Gingin West 1 Discovery is planned to commence in 2011**
 - **Drilling of the Red Gully 1 Prospect Block A for which the Potential Recoverable Gas is 30BCF gas and associated condensate is planned to commence in January 2011**
 - **EP 389 has access to gas markets through existing infrastructure**

COTTESLOE OPTION AGREEMENT DETAILS

Sun Biomedical Limited (ASX: SBN, "**Sun**" or "**Company**") is pleased to announce that it has entered into an Option Agreement to acquire unlisted exploration company, Cottesloe Oil and Gas Pty Ltd ("**COG**") which has negotiated a Farmin to a 24.99% interest in the onshore permit EP 389 located in the Perth Basin, Western Australia approximately 100 kilometres north of Perth ("**Cottesloe Option**").

The EP 389 Exploration Permit covers circa 1,700 square kilometres of acreage that is highly prospective for gas and condensate production and includes the Gingin West-1 gas and condensate discovery and follow-up drilling prospect Red Gully-1.

COG is a private Australian company founded in early 2009 by Mr Andrew Dimsey and Mr Clifford Ford, who both have extensive exploration and development experience in the oil and gas sector.

The operator of EP 389, Empire Oil & Gas NL (ASX code: EGO, "**Empire**") has announced a gas discovery at its Gingin West-1 well in EP 389 which, on Production Test, flowed at a rate of circa 7.5 million cubic feet per day and 375 BCPD and a stabilised rate of 7.66 mmcfdg and 301 BCPD. The discovery is in close proximity to gas pipeline infrastructure where there is available capacity to supply customers from Perth to Bunbury. Drilling of the highly prospective Red Gully-1 prospect is planned to commence in January 2011

Following negotiations with Empire, on 8 November 2010 COG entered into an exclusive agreement with Empire subsidiary, Empire Oil Company (WA) Limited and ERM Gas Pty Ltd ("**ERM**") setting out material terms as the basis for COG to farm-in to a 24.99% interest in EP 389 (**Farmin Heads of Agreement**).

Under the Cottesloe Option Sun will pay a non-refundable fee of \$50,000 to COG. An additional amount of \$220,000 will be made available to COG as an unsecured loan. These payments by Sun are conditional upon:

- execution by COG, Empire Oil Company (WA) Limited and ERM Gas Pty Ltd of a formal Farmin agreement for EP 389 on terms reflecting the Farmin Heads of Agreement dated 8 November 2010 and which is satisfactory to Sun by 30 November 2010 (**Farmin Agreement**); and
- placement of shares by Sun raising at least \$270,000 (**Tranche 1 Placement**).

The Cottesloe Option

All shareholders of COG have entered into the Option Agreement for Sun to acquire their shares under the Cottesloe Option. The Cottesloe Option will be for a 6 month term with the ability to extend the term by consent of the parties.

The Cottesloe Option, if exercised, will place Sun in a position to leverage the expertise of Messrs Dimsey and Ford with respect to the high quality EP 389 exploration acreage and other oil and gas exploration opportunities that may arise.

Exercise of the Cottesloe Option is conditional upon factors including:

- a. approval from Sun's shareholders for the acquisition of COG;
- b. execution of the Farmin Agreement;
- c. the Tranche 1 Placement;
- d. a second placement of shares by Sun to raise \$8,000,000 (Tranche 2 Placement);
- e. approval from Sun's shareholders for, and the appointment of, two new directors to Sun's Board as nominated by COG; and
- f. completion of due diligence by 30 November 2010.

If the above conditions are satisfied, Sun may exercise the Cottesloe Option and the Cottesloe shareholders may require Sun to exercise the Cottesloe Option.

Consideration on Exercise of Cottesloe Option

If the Cottesloe Option is exercised, and subject to Sun's shareholders approving the acquisition and the payment of incentive rights to COG's shareholders, the total consideration payable by Sun to the shareholders of COG is:

- a. 531,259,000 fully paid ordinary shares (pre-Consolidation) in the capital of Sun vesting upon the issue of shares pursuant to the Tranche 2 Placement;
- b. a deferred consideration component of 968,750,000 Performance Shares (pre-Consolidation) vesting upon the independent confirmation of reserves of at least 10 BCF of Gas at EP 389 by 31 December 2011; and
- c. a deferred consideration component of 726,562,500 Performance Options (pre-Consolidation) vesting upon the independent confirmation of reserves of at least 10 BCF of Gas at EP 389 by 31 December 2011 and thereafter, exercisable at \$0.30 by 31 December 2012.

Re-Compliance on Exercise of the Cottesloe Option

The Board of Sun has been advised that the exercise of the Cottesloe Option may be an event which will require the Company to re-comply with the requirements of chapters 1 and 2 of the ASX Listing Rules,

including seeking shareholder approval to the acquisition, issuing a prospectus or information memorandum, seeking shareholder approval for and consolidating its capital (on a ratio to be determined) (**Consolidation**) and obtaining shareholder spread in accordance with those rules. After the completion of the re-compliance process the Company intends to issue options ("**Loyalty Options**") on a three for four basis to all shareholders, the terms and conditions of which will be advised at the time.

FINANCING OF FARMIN OBLIGATIONS

Farmin obligations to earn the 24.99% interest in EP 389 are:

Farmin Activity	\$ millions
<ul style="list-style-type: none"> Contribute 60% of costs to drill Red Gully-1 (AFE cost \$8,850,000) 	\$5.31
<ul style="list-style-type: none"> Contribute 90% of completion costs (AFE cost is \$2,750,000) – incurred only if a commercial discovery is made at Red Gully-1 	\$2.28
<ul style="list-style-type: none"> Contribute 50% of 3D Seismic costs over 62 sq km at Gingin Brook (AFE cost is \$2,400,000) 	\$1.20
Total	\$8.79

Sun has appointed Patersons Securities Limited as Lead Manager to a placement to raise \$8.3 million comprising:

- Tranche 1 Placement of up to circa 173.5 million fully paid ordinary shares at 0.16 cents per share and 173.5 million free attaching options exercisable at 0.24 cents per share expiring 31 December 2012 to raise circa \$278,000. If the options are exercised on or before 30 June 2011, the option holder will receive an additional attaching new option to acquire one ordinary fully paid share in the Company, each with an exercise price of 0.40 cents and expiring on 28 June 2013; and
- Tranche 2 Placement, subject to shareholder approval, of up to 500 million fully paid ordinary shares at 0.16 cents per share to raise circa \$8,000,000.
- Subscribers to Tranches 1 and 2 will be eligible to receive Loyalty Options when they are issued.

In addition to the funds raised under the Placements, Sun has cash resources which will be applied to meeting EP 389 joint venture obligations and its own working capital requirements.

The Cottesloe Option, if exercised, will place Sun in a position to leverage the expertise of the founders of COG, Messrs Dimsey and Ford, to fully evaluate the potential of the high quality EP 389 exploration acreage.

BACKGROUND TO EP 389 ONSHORE PERTH BASIN WESTERN AUSTRALIA

Current and proposed Joint Venture interests in EP 389 are:

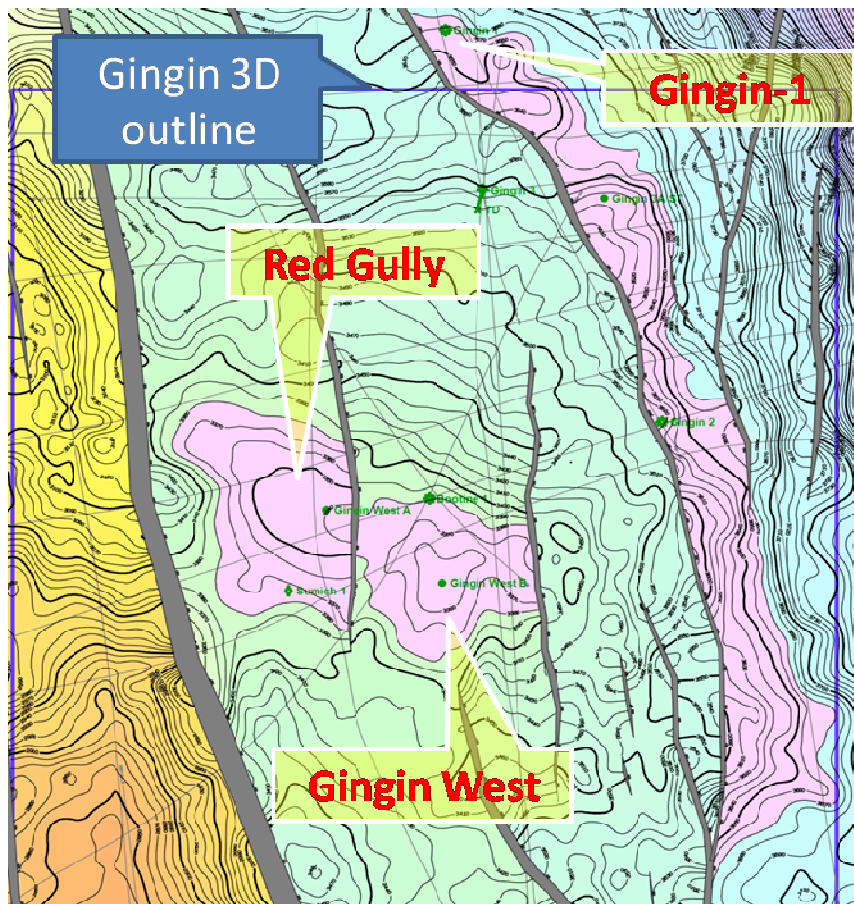
JV Partner	Current JV Share	Proposed JV Share
Empire Oil Company (WA) Limited (Operator)	68.75%	52.61%
Wharf Resources Plc	10.00%	10.00%
ERM Gas Pty Ltd	21.25%	12.40%
COG	0.00%	24.99%
Total	100.00%	100.00%

Gingin West-1 background

Drilling

On 18 November 2009 the well was spudded and on 18 December 2009 the well reached its total depth of 3870 metres. From 19-20 December 2009, final electric wireline logs were run. There were a number

of hydrocarbon bearing zones intersected in the well and the decision was made to run 7" completion casing from total depth to surface. The wellhead was installed to allow for a completion string to be run in the well to test the hydrocarbon bearing zones in 2010. The rig was released on 25 December 2009.



Legend	
Abandoned Gas Well	●
Plugged & Abandoned Gas Shows	●
Water Well	●
Proposed Location	●
Permit Boundary	---
Gingin & Gingin West lcc	---
3D survey Area	---
2D seismic line	---

1:12500
KILOMETRES
UNIVERSAL TRANSVERSE MERCATOR PROJECTION
SOUTH AUSTRALIAN COORDINATE SYSTEM
CENTRAL MERIDIAN 137° E
NAD83 DATUM 1984

Empire Oil & Gas Ltd	
EP 389	Gingin Area
Top Caltanara D sand	
Depth below MSL (m)	
pk 156209	

Perth Basin – Gingin Area

On 15 March 2010, Weatherford Rig 826 was contracted to run the 3 ½" tubing Completion to test the two separate intervals in Gingin West-1. This operation was completed on 1 April 2010 with Rig 826 released 2 April 2010. On 14 April 2010 after the cleanup, the Gingin West-1 well flowed at the rate of 7.66 million cubic feet of gas per day and 40 barrels of condensate per 1 MMCFGD. The test operations were completed after 'shut in' and 'build up' pressure data was obtained and all service and test companies' equipment and personnel were demobilised from the Gingin West-1 wellsite.

Gingin West -1 Testing

Test 1

The 3760m D Sand (The Bootine Sand.) This is the equivalent sand that flowed 2.2 million cubic feet of gas per day from Bootine-1. The interpreted gross Interval is 3760 to 3777.5m MD (Measured Depth) giving potential gross pay of 17.5 metres. The proposed perforating interval is 3764.5 - 3773m. This interval demonstrated tight formation and the test was curtailed before formation fluids were recovered.

Test 2

Top D Sand. This Sand recorded very good hydrocarbon fluorescence shows and a gas peak while drilling. This interval demonstrated on logs, good reservoir quality and hydrocarbon saturations. This gross Interval is 3571.5 to 3586.8m MD giving potential gross pay of 15.3 metres.

Gingin West Production Test

The multi rate Gingin West-1 Production Test commenced Monday 12 July 2010. Samples of natural gas and condensate were taken pursuant to a Gingin West-1 Production Test Programme. The Production Test confirmed that the gas flowed at a rate of 7.5 mmcfd and 375 BCPD. The stabilised rate was 7.66 mmcfd and 301 BCPD.

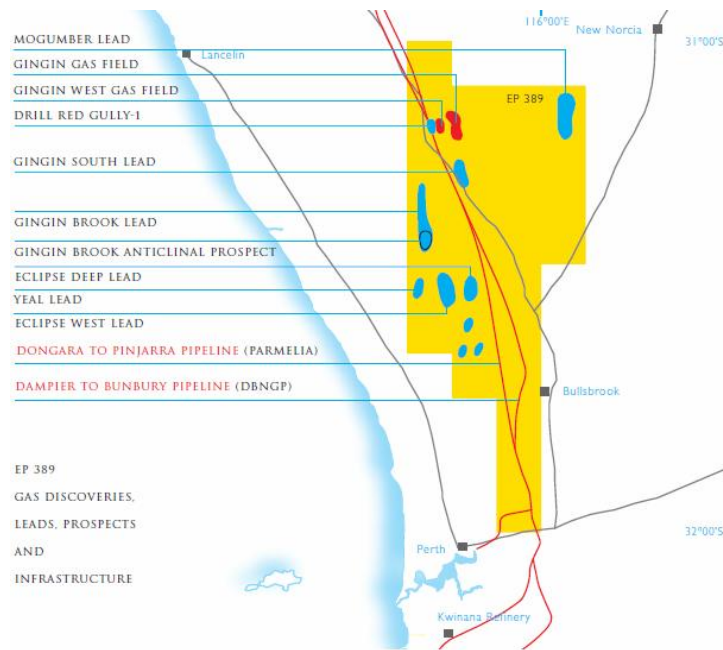


Production testing of Gingin West 1 well on 13 July 2010 (EGO Annual Report 2010, p.17)

The discovery results of the Gingin West-1 well promote the drilling of Red Gully-1. The Red Gully-1 well is being designed to be drilled from the same rig pad as Gingin West-1 as a deviated well to intersect the Gingin West Block A Structure which has a potential recoverable gas estimated at 30 billion cubic feet. The Red Gully-1 well is planned to commence drilling in January 2010.

EP 389 EXPLORATION HISTORY

EP 389 is in the onshore North Perth Basin, Western Australia. The Gingin Gas field is located in EP 389 and was discovered by WAPET in the Gingin-1 and Gingin-2 wells drilled in 1964 and 1965 respectively.



EP 389 (30 June 2010 EGO ASX Announcement Re the Planned Production Test of Gingin West-1. The Drilling of Red Gully-1 on the Gingin West Block A and the planning for new 3D seismic surveys in EP 389, Onshore Perth Basin, WA, p.6)

Gingin-1 was put on production from 1972-1976 flowing an average 5 million cubic feet of gas per day (mmcfg/d). Cumulative production was 1.72 billion cubic feet of gas (BCF).

The Gingin-2 discovery tested gas at rates up to 3.9 mmcfg/d. The Dongara Gas field was discovered and the Gingin-1 and Gingin-2 wells were then later plugged and abandoned. The Bootine-1 well was drilled by MESA Australia Limited in 1981. This well flowed 2.25 mmcfg/d from a test of a 7 metre gas column in a 35 metre sand in the Cattamarra.

Between 1997 to 2000, Empire recorded an aeromagnetic survey including detailed aeromagnetics over the Gingin Gas field area and acquired 443 line kms of 2D 160 fold seismic together with reprocessing 333 line kms of seismic recorded by previous explorers. Empire has drilled two additional wells, Gingin-3 in 1998 and Eclipse-1 in 2003.

In April/May 2008 the Gingin West 45 km² 3D seismic Survey was recorded and was processed in late 2008. The interpretation of the Gingin West 3D seismic has now been completed and incorporates all the previous seismic and well data from Gingin-1, Gingin-2, Gingin-3 and Bootine-1. Four reservoir horizons were mapped in the Jurassic, being the Top Cadda Formation and three horizons in the Cattamarra Coal Measures. These seismic events were tied to the existing 4 wells with regional maps prepared in seismic time and converted to seismic depth using the seismic velocity data and well control. Detailed maps over the Gingin West and Gingin prospects were prepared.

EP 398 EXPLORATION POTENTIAL

Five prospects have been defined in EP 389 with Cattamarra Coal Measure objectives. These are:

1. **The Red Gully-1 Prospect**, The Red Gully-1 well is planned to be drilled in Q1 in 2011. The Gingin West 3D seismic survey clearly defines the prospect as a fault controlled anticline to the west of and updip from Bootine-1 and Gingin West-1. The main objective is the Top D Sand of the Cattamarra Coal Measures.
2. **The Gingin Gas field** is a 3-way dip closure on the down thrown (eastern) side of a major fault (the Bounding Fault). The main objective sandstone units in the Gingin Gas field are those Cattamarra Sands which flowed gas at commercial rates in Gingin-1. Potential recoverable gas estimated at 87 BCF and 1 million barrels of condensate. To appraise this gas accumulation, a deviated well drilled east across the fault from the suspended Gingin-3 location, is being considered.

3. **The Bootine Deep Prospect** is a tilted fault block. The main objectives are sandstones of the Cattamarra that recovered oil in Bootine-1. Potential recoverable gas estimated at up to 16.5 BCF and if charged with oil, there is potential oil estimated of 3 million barrels.
4. **The Gingin Deep Gas field** is a tilted fault block on the western upthrown side of the fault bounding the Gingin Gas field. The main objective sandstone units in the Gingin Deep Gas field are those Cattamarra sands which flowed gas at commercial rates from Gingin-2. Potential recoverable gas estimated for these sands are 32.6 BCF plus associated condensate.
5. **The Gingin Brook Anticline Prospect** is mapped as a simple anticline on the southern end of the larger Gingin Brook Prospect. A 3D seismic survey is planned in 2011 to confirm the 4-way dip closure of the Anticline and the configuration of the deeper tilted fault blocks observed at both the Lower Cattamarra and the Triassic Lesueur Sandstone Reservoirs. Potential recoverable gas estimated in the Gingin Brook Anticline at Cattamarra Top D Sand is 50 BCF and associated condensate at the top of the D Sand.

AVAILABLE INFRASTRUCTURE ACROSS EP 389

The Gingin West discovery and the nearby prospects are located in immediate proximity to both the Dampier to Bunbury Natural Gas Pipeline and, more importantly, between 2.8 and 4 kms to Compression Station 5 or the existing 'T' piece access that remains in place from the Gingin-1 well on the Dongara to Pinjarra Pipeline (the Parmelia Pipeline). The Parmelia Pipeline has spare capacity. Both these access points on the Parmelia Pipeline have recently been significantly refurbished.

GAS DEMAND AND PRICING

Gas demand in Western Australia remains strong and it relies on gas as its primary energy source. Demand for gas in the Perth and South-west of Western Australia is forecast to grow robustly in the next twenty years. This current and expected gas demand environment creates an opportunity to sell gas into long term industrial and residential supply contracts.

ADDITIONAL EXPLORATION PROSPECTS

Potential exploration targets have been identified on the Western Australian Coast and these prospects will be pursued on a selective basis to establish a highly leveraged position to exploration success by using the intellectual knowledge available through the experience and contacts of the executive team.

There is a high level of expertise and knowledge of exploration plays in the Greater North West Shelf of Western Australia and this will be an area of focus along with new exploration plays in nearby regional basins that have been identified and require experienced technical assessment and development of prospect.

DIRECTORS AND MANAGEMENT

Subject to exercise of the Cottesloe Option, the proposed Directors and Management of the Company will be as follows:

<p>Stephen Dennis Non executive Chairman</p>	<p>BCom, BLLB, GDipAppFin, CFTP - 25 years experience in the Resources Industry. 14 years in senior management roles at MIM Holdings Limited, Group General Manager and Chief Financial Officer of Minara Resources Limited, Regional Director Brambles Australia Limited in Western Australia. Mr Dennis is currently the CEO and Managing Director of CBH Resources Limited, and is also a non- executor director of Heron Resources Limited</p>
<p>Terry Cuthbertson Non-executive Director</p>	<p>ACA - Current Chairman and proposed to continue as a non-executive director post completion. Terry is Chairman of ASX listed My Net Fone Limited, Mint Wireless Limited, Montec International Limited, Austpac Resources NL, South American Iron and Steel Corporation Limited and OMI Holdings Limited. He is also Chairman of s2Net Limited (an unlisted Public Company). Terry has extensive corporate finance expertise, having advised businesses and government organisations in relation to mergers, acquisitions and financing. Terry was formerly a Partner of KPMG Corporate Finance.</p>

Andrew Dimsey Executive Director	BBus CPA - 28 years experience in the Resources Industry. Senior Executive of Beach Petroleum, Alliance Oil, Claremont Petroleum, Elders Resources, Arc Energy, Origin Energy. Expertise in strategy, mergers and acquisitions, corporate restructuring and Exploration and Production JV Operations
Clifford Ford Consultant	BSc Geology - Explorationist and Consultant for Chevron, Western Mining, Woodside, BHPP, OMV Oil Search Novus. Carnarvon Basin specialist and has been involved in the discovery of a number of oil and gas field.

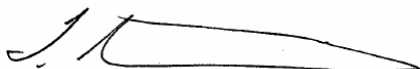
It is proposed that the Company will seek to appoint another appropriately credentialed director in the New-Year.

NOTICE OF MEETING

Subject to the EP 389 farmin being signed by 30 November 2010 and completion of Tranche 1 Placement, it is expected a shareholders meeting will be convened in December to consider resolutions to approve the proposed transaction.

Yours faithfully

SUN BIOMEDICAL LIMITED



Terry Cuthbertson
Chairman

The information in this ASX Announcement that relates to estimated potential recoverable oil or gas reserves and their prospectivity for oil and gas is based on information contained in ASX public announcements published by EGO.

Mr Clifford Ford BSc (Geology) (Hons) UWA has reviewed the information in this ASX Announcement that relates to estimated potential recoverable oil or gas reserves and their prospectivity for oil and gas on behalf of Sun Biomedical Limited and consents to its inclusion in the form and context in which it appears in this ASX Announcement. Mr Ford has 30 years experience in the industry and has worked as a consultant geophysicist for oil and gas companies including BHP Billiton Petroleum, Woodside Energy and Chevron.

Mr Ford is not an employee of Sun Biomedical Limited. Mr Ford is a shareholder in Cottesloe Oil and Gas Pty Ltd.

As the transaction advances beyond the current preliminary stages, Sun will engage its own Independent Expert for the purposes of consultation in relation to, and assessment of, the Project.