



26 September 2012

ASX Limited
Company Announcements Office
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

CONVERTIBLE NOTE UPDATE

Sun Biomedical Limited (ASX: SBN) wishes to advise that it has agreed to extend the maturity date of the convertible notes it acquired in Malachite Resources Limited (MAR) in August 2011.

Pursuant to this extension, the Company has entered into a Deed of Extension and Variation to the Convertible Note Subscription Agreement on the following key terms:

- the maturity date of the notes is extended by 7 months from the original maturity date of 5 August 2012;
- SBN has an option to further extend the maturity date by two additional periods of 3 months each;
- MAR is required to pay SBN a rollover fee of \$18,750 on 5 November 2012 and a rollover fee of \$8,750 each time SBN exercises its option to extend the maturity date for a further period of 3 months. The rollover fees shall be satisfied by the issue of MAR shares;
- the interest payable on the notes has been increased from 12% to 15% per annum for the initial 7 month extension and 18% per annum for each of the additional 3 month terms; and
- MAR has an option to redeem the notes by repaying all moneys owing on the notes. If the notes are redeemed after 5 November 2012, MAR will also be required to pay SBN a repayment fee that is equal to 5% of all moneys owing. The repayment fee shall be satisfied by the issue of MAR shares.

The remaining key terms of the notes remain unchanged. As previously announced, the notes have a conversion price which is the lesser of \$0.05 or a 20% discount to the 30 day volume weighted average price of MAR shares at the time of conversion.

The extension is subject to a number of conditions precedent which include, MAR conducting a capital raising of at least \$500,000 pursuant to a private placement and conducting an equity

**Sun Biomedical
Limited**
ABN 18 001 285 230

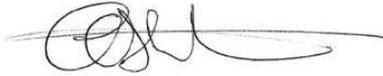
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raising at the same pricing offered under the private placement. The extension is also subject to a condition subsequent which requires MAR to obtain shareholder approval to the issue of shares upon conversion of the notes (together with the shares that MAR is require to issue to satisfy the rollover and repayment fees) at MAR's 2012 Annual General Meeting.

As previously announced, SBN considers that this investment will provide the Company and shareholders with a commercial return.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G. Stewart', with a long horizontal flourish extending to the right.

Gary Stewart
Director