SUN BIOMEDICAL LIMITED
(A.B.N. 18 001 285 230)

And Controlled Entities

Annual Report
30 June 2009

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Corporate Governance Statement

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom it is elected and to whom it is accountable.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 2nd Edition (Revised Principles) (*the Principles*), the Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company and why. The Company's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

1: Lay solid foundations for management and oversight.
2: Structure the board to add value.
3: Promote ethical and responsible decision making.
4: Safeguard integrity in financial reporting.
5: Make timely and balanced disclosure.
6: Respect the rights of shareholders.
7: Recognise and manage risk.
8: Remunerate fairly and responsibly.

A number of the Recommendations under the Principles recommend that certain governance documents should be made publicly available, ideally by posting such information on the company's website. As announced to ASX on 6 May 2009, the Company's website was shut down following the closure of its US operations, Sun Biomedical Laboratories Inc. (*SBL*). Accordingly, all corporate governance principles and policies, regarding the Company as required by the Principles are set out in this Corporate Governance Statement.

1. Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board is committed to maximising Company and management performance, thereby generating appropriate levels of shareholder value and financial return.

The Board, therefore, ensures that the Company is properly managed to protect and enhance shareholder interests and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance.

The Board is responsible for, inter alia, development of strategy, oversight of business and Company management, risk management and compliance systems and monitoring performance. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised in this Corporate Governance Statement.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The performance of the Board, individual Directors and key executives is reviewed regularly, and has taken place during this reporting period.

The Company has not established a Remuneration or Nomination Committee as subcommittees of the Board. Remuneration and nomination issues are discussed and resolved at Board meetings and accordingly, the Board is responsible for determining and reviewing the remuneration of the Directors. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate.

The remuneration policy for the Directors is disclosed in the Directors' Report.

Recommendation 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

In accordance with the 'Guide to Reporting on Principle 1', the Company provides the following information:

- as at the date of this Corporate Governance Statement, the Company is of the view that it has complied with each of the Recommendations under Principle 1; and

- the Company has undertaken a performance evaluation for senior executives during the financial year in accordance with the process set out in Recommendation 1.2.

2. Structure the Board to Add Value

Recommendation 2.1: A majority of the Board should be independent directors

At the date of this statement, the Board comprises of three Directors, two of which are deemed as independent Non-Executive Directors as defined under the Board policy on Director independence:

- Mr Peter King, the Non-Executive Chairman of the Company; and

- Mr Andrew Paice, Non-Executive Director of the Company. Prior to 1 March 2008, Mr Paice was an Executive Director of the Company. However, since Mr Paice's transition to a Non-Executive Director, he has been deemed as an independent Non-Executive Director as defined under the Board policy on Director independence.

Recommendation 2.2: The Chairperson should be an independent Director

The Chairman, Mr Peter King, is an independent Non-Executive Director.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same person

At the date of this Corporate Governance Statement Mr Peter King is the Chairman of the Board. On 30 April 2009, the employment agreement between SBL and Mr Jack Kerins, as the Chief Executive Officer of SBL, was terminated as a result of the closure of the Company's US operations. The listed Australian parent company, Sun Biomedical Limited, does not currently engage an Executive Officer because of the largely administrative nature of the Company's operations. The Company has engaged Turnberry Funds Management Pty Ltd, a company associated with Mr Jim Hallam, a Non-Executive Director of the Company, to provide administration services to the Company.

Recommendation 2.4: The Board should establish a nomination committee

Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board reviews and evaluates the performance of the Board and the Board committees. The process is to involve the assessment of all of the Board's key areas of responsibility. The Board's contribution as a whole is reviewed and areas where improvement can be made are noted. The performance evaluation process is as follows:

- each Director will periodically evaluate the effectiveness of the Board and its committees and submit observations to the Chairman;
- the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;
- the Board will agree on development and actions required to improve performance;
- outcomes and actions will be minuted; and
- the Chairman will assess during the year the progress of the actions to be achieved.

This process aims to ensure that individual Directors and the Board as a whole contribute effectively in achieving the duties and responsibilities of the Board. The performance of the Board, individual Directors and key executives has taken place during this reporting period in accordance with the process set out above.

Recommendation 2.6: Provide the information indicated in Guide to Reporting on Principle 2

The Board takes the ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

- the Board shall comprise of between 3 and 10 Directors;
- Directors shall have the power at any time to appoint any other suitably qualified person subject to election at the Company's following annual general meeting;
- in the interest of ensuring a continual supply of new talent to the Board, all Directors with the exception of the Managing Director (where appointed) will serve for a period of three years before they are requested to stand down for re-election; and
- the Board should comprise Directors with a broad range of skills and experience.

The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. In accordance with the 'Guide to Reporting on Principle 2', the Company provides the following information:

- The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is detailed in the Director's Report.
- Mr Peter King and Mr Andrew Paice are the Directors considered by the Board to constitute independent directors. In assessing whether a Director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles.
- Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company up to $5,000 per annum in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.
- The term of office held by each Director in office at the date of the Annual Report is detailed in the Director's Report.
- Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.
- The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.

- As at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 2, except for Recommendation 2.4. An explanation for the departure from Recommendation 2.4 is set out above.

3. Promote Ethical and Responsible Decision-making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- ***the practices necessary to maintain confidence in the company's integrity***
- ***the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders***
- ***the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The Board has adopted a Code of Conduct that provides a framework in which the Company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximise shareholder returns.

The Code of Conduct also outlines how the Company expects Directors, management and employees to behave and conduct business in a range of circumstances. In particular, the Code of Conduct requires awareness of, and compliance with laws and regulations relevant to the Company's operations.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has a policy concerning trading in the Company's securities by Directors, management and staff (*Trading Policy*). The Trading Policy restricts directors and employees from:

- acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the prices of securities; and
- trading in securities other than in a trading window of four weeks following either:
  - the announcement of results; and
  - a General Meeting of shareholders.

The Trading Policy requires that, in accordance with the ASX Listing Rules, a Director notify the ASX within five (5) business days after any dealing in the Company's securities that results in a change in the relevant interests of the Director in the Company's securities.

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The 'Guide to Reporting on Principle 3' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct or Trading Policy publicly available as the Company currently does not have a website.

4. **Safeguard Integrity in Financial Reporting**

Recommendation 4.1: The Board should establish an Audit Committee

The Company has not established an Audit Committee as recommended under Recommendation 4.1 as the Board is of the view that, having regard to the Company's current level of operations and the number of current Directors of the Company, the implementation of an Audit Committee is currently cost prohibitive. As the Company's level of operations increases, the Company will consider establishing an Audit Committee

Accordingly, it is the Board's responsibility to establish and maintain an effective internal control framework to examine the effectiveness and efficiency of the management of the Company and significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations.

Recommendation 4.2, 4.3 and 4.4 Structure of the Audit Committee, Audit Committee Charter and information indicated in the Guide to Reporting on Principle 4

As recommendations 4.2, 4.3 and 4.4 relate to the composition and charter of the Audit Committee, they have not been implemented by the Company.

5. **Make Timely and Balanced Disclosure**

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board and senior management are aware of the continuous disclosure requirements of the ASX and have written policies and procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. Furthermore, the Directors and senior management of the Company acknowledge that they each have an obligation to immediately identify and immediately disclose information that may be regarded as material to the price or value of the Company securities.

The Directors are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Directors of the Company ensure that the Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, shareholders, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market is the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented.

If information that would otherwise be disclosed comprises of matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of the Company's securities is unknown, the Company may request that the ASX grant a trading halt or suspend the Company's securities from quotation. Management of the Company may consult the Company's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

Recommendation 5.2: Provide the information indicated in Guide to Reporting on Principle 5

The 'Guide to Reporting on Principle 5' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

6. Respect the Rights of Shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board aims to ensure in accordance with Recommendation 6.1, all shareholders are informed of relevant major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The 'Guide to Reporting on Principle 6' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

7. Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1.. The risk oversight and management system covers:

- operations risk;
- financial reporting; and
- compliance

The Company is committed to the proper identification and management of risk. The Company regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure not only that the Company complies with its legal obligations, but that the Board and ultimately shareholders can take comfort that an appropriate system of checks and balances in place regarding those areas of the business which present financial or operating risks.

The Company has also adopted a Code of Conduct which sets out the Company's commitment to maintaining a high level of integrity and ethical standards in all business practices.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Company's management is responsible for providing leadership and direction, for establishing a context which fosters a risk management culture and for ensuring business, financial and risk management approaches are integrated during the planning, implementation and reporting of major ventures at all levels within the organisation.

The Company regularly undertakes reviews of its risk management procedures, which include implementation of a system of internal approvals to ensure not only that it complies with its legal obligations, but that the Board and shareholders can take comfort that an appropriate system of checks and balances is in place in those areas of the business that present financial or operating risks. As part of this risk management process, the Company's management has reported to the Board in relation to its management of the Company's material business risks.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As set out under Recommendation 2.3, since 30 April 2009, the Company has not had an Executive Officer because of the largely administrative nature of the Company's operations. Accordingly, the each of the Directors have reviewed the Financial Reports and have declared that the Financial Reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. The Directors have also declared that the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

In accordance with the 'Guide to Reporting on Principle 7', the Company provides the following information:

- The Company has not departed from Recommendations 7.1 and 7.2.
- As the Company does not have a chief executive officer or chief financial officer, the Directors have given the assurances under Recommendation 7.3

8. Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee

The performance of the Board, individual Directors and key executives is reviewed annually, and has taken place during this reporting period.

The Company has not established an Audit, Remuneration or Nomination Committee as subcommittees of the Board. Section 4 of this Statement sets out why the Company does not have an Audit Committee and discusses the processes the Company has in place as a result. Remuneration and Nomination issues are discussed and resolved at Board meetings and accordingly, the Board is responsible for determining and reviewing the remuneration of the Directors. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the Company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for each Non-Executive Director are disclosed in the Directors' Report.

The Remuneration policy for the Directors is disclosed in the Directors' Report.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-Executive Directors are paid a set fee as disclosed in the Director's Report in this Annual Report. The remuneration of executives is dependent on the terms of the employment agreement with those executives. The remuneration structure of Non-Executive Directors and executives is clearly distinguishable.

There are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information:

- there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors;

- due to size of the Company and its current level of operations, the Company does not have a separate Remuneration Committee and therefore a charter or an appointment policy has not been created; and

- as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

REPORT OF THE DIRECTORS – 30 JUNE 2009

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Peter King – Chairman
Mr Jim Hallam – Non Executive Director
Mr Andrew Paice – Non Executive Director

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

Until 30 April 2009, the principal activities of the consolidated group, constituted by Sun Biomedical Limited and the entities it controlled, consisted of the commercialisation of Sun Biomedical Laboratories Inc. ("SBL") illicit drug testing portfolio of products with a specific focus on their unique proprietary oral-fluid based drug testing device, OraLine.

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 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 patents to the Company, 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 assessed as fully impaired 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.

Results for the Year

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Loss after income tax	(4,128,738)	(3,557,390)	(3,900,445)	(3,785,084)

Dividends

No dividends have been paid or proposed since the last Director's Report dated 31 December 2008.

Review of Operations

The consolidated loss for the 12 months 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. Some of the key features of the year ended 30 June 2009 include:

- The successful completion of an underwritten Rights Issue in August 2008;
- The final repayment of the Promissory Note due to Dr Ming and Alice Sun, the founders of SBL, in September 2008.
- The downturn in US sales as a result of the poor economic conditions;

Report of the Directors (Continued)

- 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 on 30 April 2009.

Financial Position

The net assets of the consolidated group have decreased by $666,183 from 30 June 2008 to $341,976 as at 30 June 2009. This decrease is reflected in the following Balance Sheet movements:
- increase in Cash and Cash Equivalents of $253,447;
- decrease in Receivables and Inventories of $469,916;
- decrease in Intangible Assets – Sun Biomedical Laboratories Inc. Intellectual Property of $1,832,410;
- decrease in Trade and Other Payables of $379,015; and
- decrease in Promissory Note due to vendor of Sun Biomedical Laboratories Inc. of $1,018,076

The operating loss for the year includes a total impairment charge of $1,382,407 in the carrying value of the patents covering the VisuaLine and OraLine products following a value in use valuation.

As at 30 June 2009, the consolidated group has a working capital surplus, being current assets less current liabilities, of $339,383 (2008 deficiency $841,239).

Significant Transactions

Significant transactions that occurred during the year included the successful completion of an underwritten Rights Issue in August 2008 and the final repayment of the Promissory Note due to Dr Ming and Alice Sun, the founders of SBL, in September 2008.

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.

Significant Changes in State of Affairs

As mentioned above the company has ceased its principal activities aimed to commercialise its illicit drug testing portfolio of products on 30 April 2009. The company continues to seek an acceptable sale value for its drug based patents.

Report of the Directors (Continued)

Matters Subsequent to the End of the Financial Year

Except for the matters discussed above no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group, in subsequent financial years.

Likely Developments

Disclosure of detailed information on likely developments in the operations of the group and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the group. The group will concentrate on ongoing marketing and sale of the patents and exploring future opportunities for the company.

Information on Directors

PETER KING *BA (Hons Syd) MA (Oxon)*	***Non Executive Chairman***
Experience	A barrister, Rhodes scholar and former Federal Member of Parliament and director of public and charitable institutions in the area of Aboriginal youth justice and the welfare of young children, with a breadth of international experience and contacts which are complimentary to the business. His knowledge and past involvement with government is seen as being of major benefit to the Company. Directorships held in other listed entities:- Nil Directorships held in the past three years in other listed entities:- Nil
JIM HALLAM ***BEc, CA***	***Non Executive Director***
Experience	Managing Director and founder of Turnberry Funds Management Pty Ltd (TFM), a specialist funds management company in the small to medium enterprise private equity sector. Prior to establishing TFM, he spent nine years at Hastings Funds Management as its Chief Financial Officer and Chief Operating Officer of the publicly listed Hastings Diversified Utilities Fund. He also spent four years at AIDC Ltd where he originated and managed investments in the management buy-in/out and expansionary capital sector. Directorships held in other listed entities:- Nil; Directorships held in the past three years in other listed entities:- Nil
ANDREW PAICE *B. Bus (Accounting) Swinburne*	***Non-Executive Director***
Experience	Extensive experience in financial management roles at a senior executive and director level, both in Australia and overseas in the medical device and pharmaceutical sector. Directorships held in other listed entities:- Nil Directorships held in the past three years in other listed entities:- Nil

Report of the Directors (Continued)

Information on Company Secretary

Alfonso M G Grillo BA LLB	*Company Secretary*
Experience	Alfonso Grillo is a partner with Tress Cox Lawyers and has expertise in various aspects of commercial law, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions. Alfonso is currently also Company Secretary of ASX listed Nagambie Mining Limited and Essential Petroleum Resources Limited. Alfonso has held the position of company secretary of Sun Biomedical Limited since 21 June 2007.

Directors' Interests in Shares and Options

Directors	**Notes**	**Existing Shares**	**Existing Options**
Andrew Paice or his nominees	(a)	9,209,250	2,046,500
Peter King	(b)	2,480,762	-
Jim Hallam		-	-

(a) Mr Paice holds 9,209,250 ordinary shares, 2,046,500 listed 2 cent options expiring on 30 November 2010.
(b) Mr King and Mr Hallam were issued with shares in the company in lieu of directors' fees from the prior financial year in November 2008. This was approved at the General Meeting held on 17 November 2008. Mr Hallam's 1,155,095 shares were transferred to Log Creek Pty Ltd on 14 January 2009.

The number of directors meetings attended by each of the directors of the Company during the financial year were:

Director	**Directors' Meetings**	
	A	**B**
Mr Peter King	12	20
Mr Jim Hallam	20	20
Mr Andrew Paice	19	20

A – meetings attended
B – meetings held whilst a director

Remuneration Report (audited)

This report details the nature and amount of remuneration for each director of Sun Biomedical Limited and for the executives receiving the highest remuneration.

The remuneration policy adopted by the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives, such as options, which are exercisable at levels in excess of the Company's share price when granted.

The Directors believe the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

Report of the Directors (Continued)

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, is developed and approved by the Directors after seeking professional advice from independent external consultants where deemed appropriate. The Directors will review executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Directors seek ratification of Executive remuneration packages by shareholders at general meeting. In the current year the remuneration is not linked to performance due to the stage in the life cycle of the company.

All remuneration paid to Directors and Executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The aggregate amount of remuneration has been set at $100,000.

Fees for non-executive directors are not linked to the performance of the consolidated group. Currently, all directors are paid $10,000 per annum. Remuneration for Directors and Executives for the period is as follows:

Economic and Parent Entity

		Short term employee benefits			Equity compensation	
Directors		**Directors Fees**	**Consulting Fees**	**Salary**	**Value of options/shares**	**Total**
Non Executive		$	$	$	$	$
Peter King	**2009**	**16,932**	-	-	**8,750**	**25,682**
	2008	22,386	-	-	3,311	25,697
Jim Hallam	**2009**	**12,509**	***85,000**	-	**4,999**	**102,508**
	2008	13,334	-	-	-	13,334
Andrew Paice	**2009**	**17,500**	-	-	**12,334**	**29,834**
	2008	6,667	-	-	-	6,667
Executive						
Andrew Paice	**2009**	-	-	-	-	-
	2008	-	166,667	-	6,167	172,834
Brian Andrews	**2009**	-	-	-	-	-
	2008	-	166,667	-	6,167	172,834
Total Directors	**2009**	**46,941**	***85,000**	-	**26,083**	**158,024**
	2008	42,387	333,334	-	15,645	391,366
Key Management Personnel						
Jack Kerins	**2009**	-	-	**266,363**	**9,760**	**276,123**
	2008	-	-	156,877	32,360	189,237
Total Key Management Personnel	**2009**	-	-	**266,363**	**9,760**	**276,123**
	2008	-	-	156,877	32,360	189,237
Total	**2009**	**46,941**	***85,000**	**266,363**	**35,843**	**434,147**
	2008	42,387	333,334	156,877	48,005	580,603

*The company notes that $85,000 was paid to Turnberry Funds Management Pty Ltd, a company controlled by Jim Hallam for provision of accounting and administration services.

Report of the Directors (Continued)

1. Mr Kerins was appointed as the Chief Executive Officer of SBL on 22 February 2008. He was retrenched on 30 April 2009 with the closure of the US operations. Mr Kerins was paid an annual salary of USD 180,000. He was also entitled to receive an incentive bonus. The incentive bonus was payable at the end of each calendar year in arrears (prorated for any partial year) subject to meeting the performance milestones as determined by the Board. These performance milestones included achievement of sales targets, achievement of gross margin targets, maintenance of ISO certification, maintenance of FDA accreditation, retention of key members of staff, introduction and commercialisation of new products. The maximum total incentive bonus payout was 150% of annual salary. In 2008, Mr Kerins' was paid a bonus of $21,356 which has been included in the total salary disclosed. No bonus was paid in 2009. In addition, Mr Kerins was issued with an options package which was approved by the Board on 20 June 2008. 4,000,000 of these options have now lapsed. Upon termination, Mr Kerins was paid a severance payment of USD 40,000.
2. Share based payments were made to Mr King ($39,375) and Mr Hallam ($18,333) this year. There were in lieu of directors' fees outstanding from 2008 of $43,959 and 2009 of $13,749. Mr Hallam's shares were transferred to Log Creek Pty Ltd on 14 January 2009.

Options issued as part of remuneration for the year ended 30 June 2009 (Audited)

During this financial year, no options over ordinary shares in the Company were issued to any Director or other key management personnel of the group, including their personally related parties.

This is the end of the Audited Remuneration Report.

Audit Committee

The Directors have taken the view that in light of the Company's size and stage of development, the full board would fulfill the functions of the Audit Committee. This involves maintaining a Code of Corporate Conduct for the consolidated group, and to ensure additional assurance with respect to the quality and reliability of the information provided is prepared or approved by third party providers. The board is responsible for the appointment of the external auditor. The Board is responsible for reviewing the effectiveness of the organisation's internal control environment covering:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

In fulfilling its responsibilities the Board receives monthly management accounts which are tabled at monthly board meetings.

Shares Issued

The following shares were issued by the company during the year:-

- Issue of 374,082,527 shares at 1.0 cent in August 2008 per the Rights Issue;
- Issue of 90,608 shares at 2.0 cents via option conversion; and
- Issue of 3,635,857 shares in lieu of the payment of directors' fees.

Environmental Issues

The consolidated group's operations are not subject to any significant environmental regulations.

Directors' Benefits

Turnberry Funds Management Pty Ltd, a company controlled by Jim Hallam, and in which Log Creek Pty Ltd has a 33% shareholding, has entered into an agreement with the Company for the provision of accounting and administration services. The fee for the year ended 30 June 2009 was $85,000 per annum (exclusive of GST).

Report of the Directors (Continued)

Since 30 June 2009, no director of the Company has received or become entitled to receive a benefit (other than Directors' Remuneration included above and in Note 24 of the Financial Statements) by reason of a contract made or proposed by the Company or a related corporation with the Directors or with a firm of which he has a substantial financial interest other than as disclosed.

Directors' and Executive Officers' Indemnification

After the balance date, the Company has paid insurance premiums in respect of directors' and officers' liability. A premium of $15,895 was paid and the policy prevents the Company from further disclosure.

There is no indemnification in relation to the auditors.

Non-audit Services

The Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES110 "Code of Ethics for Professional Accountants".

Taxation services performed for the group by the auditor totaled $12,000 (2008: $34,342).

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
8 September 2006	12 September 2009	10 cents	1,000,000
8 September 2006	30 June 2011	10 cents	20,000,000
25 June 2008	15 September 2011	2 cents	2,000,000
			23,000,000

In addition, the Company also has 186,950,656 listed 2 cent options which expire on 30 November 2010. These were issued as part of the 2008 Rights Issue.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 18 of this financial report.

Signed in accordance with a resolution of directors.

Hallam

Jim Hallam
Director
Melbourne
1 September 2009

1 September 2009

The Board of Directors
Sun Biomedical Limited
c/o Tress Cox Lawyers
Level 9
469 Lonsdale Street
MELBOURNE VIC 3000

Auditor's Independence Declaration

As lead auditor for the audit of Sun Biomedical Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Armstrong Partners
Chartered Accountants

David Armstrong
Partner

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
ACN 001 285 230

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Revenues from continuing operations	2	33,332	160,598	33,332	160,598
Total Revenue from continuing operations		33,332	160,598	33,332	160,598
Employee benefits expense		-	(398,579)	-	(398,579)
Consulting fees		(76,644)	(56,177)	(76,644)	(56,177)
Travel and accommodation expense		(2,883)	(62,383)	(2,883)	(62,383)
Insurance		(16,507)	(21,903)	(16,507)	(21,903)
Advertising and marketing expense		-	(15,550)	-	(15,550)
Administration expense		(116,427)	(83,750)	(116,427)	(83,750)
Equity based payments	22	(35,843)	(96,721)	(35,843)	(96,721)
Regulatory compliance expenses		(188,172)	(224,343)	(188,172)	(224,343)
Legal expenses		(70,492)	(153,336)	(70,492)	(153,336)
Rent		(5,461)	(66,300)	(5,461)	(66,300)
Loss on disposal of non current assets		-	(5,896)	-	(5,896)
Loss before income tax		(479,097)	(1,024,340)	(479,097)	(1,024,340)
Income tax expense	3	-	-	-	-
Loss attributable to members of the parent entity from continuing operations		(479,097)	(1,024,340)	(479,097)	(1,024,340)
Loss from discontinued operations after income tax	4	(3,649,641)	(2,533,050)	(3,421,348)	(2,760,744)
Loss attributable to members of the parent entity		(4,128,738)	(3,557,390)	(3,900,445)	(3,785,084)

	Note	Cents per share	Cents per share
Overall operations			
Basic and diluted earnings (loss) per share	7	(0.53)	(0.97)
Continuing operations			
Basic and diluted earnings (loss) per share		(0.06)	(0.28)
Discontinued operations			
Basic and diluted earnings (loss) per share		(0.47)	(0.69)

The above Income Statement should be read in conjunction with the accompanying notes.

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
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BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Consolidated Group 2009	Consolidated Group 2008	Parent Entity 2009 $	Parent Entity 2008 $
Current Assets					
Cash and cash equivalents	8	371,670	118,223	371,670	112,375
Trade and other receivables	9	11,070	270,890	11,070	177,243
Inventories	10	-	210,096	-	-
Total Current Assets		382,740	599,209	382,740	289,618
Non Current Assets					
Trade and other receivables	9	-	-	-	62,721
Investments	11	-	-	-	-
Property, plant and equipment	12	2,593	16,988	2,593	4,605
Investments	11(b)	-	-	-	-
Intangible assets	13	-	1,832,410	-	1,781,824
Total Non-Current Assets		2,593	1,849,398	2,593	1,849,150
Total Assets		**385,333**	**2,448,607**	**385,333**	**2,138,768**
Current Liabilities					
Trade and other payables	14	43,357	422,372	43,357	250,832
Promissory note	17	-	1,018,076	-	1,018,076
Total Current Liabilities		43,357	1,440,448	43,357	1,268,908
Total Liabilities		**43,357**	**1,440,448**	**43,357**	**1,268,908**
Net Assets		**341,976**	**1,008,159**	**341,976**	**869,860**
Equity					
Contributed equity	15	27,833,891	24,483,424	27,833,891	24,483,424
Reserves	16	59,600	28,397	59,600	118,391
Accumulated losses		(27,551,515)	(23,503,662)	(27,551,515)	(23,731,955)
Total Equity		**341,976**	**1,008,159**	**341,976**	**869,860**

The above Balance Sheet should be read in conjunction with the accompanying notes.

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
ACN 001 285 230

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED GROUP	Share Capital Ordinary $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total $
Balance 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
Cost of option based payments	-	-	53,854	-	53,854
Transfers to/(from) reserves	-	179,675	(179,675)	-	-
Transaction costs	(356,342)	-	-	-	(356,342)
Sub total	3,182,943	179,675	(125,821)	-	3,236,797
Currency translation differences	-	-	-	(86,020)	(86,020)
Loss attributable to members of the consolidated group		(3,557,390)	-	-	(3,557,390)
Sub total	-	(3,557,390)	-	(86,020)	(3,643,410)
Balance at 30 June 2008	**24,483,424**	**(23,503,662)**	**118,391**	**(89,994)**	**1,008,159**
Balance 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
Cost of option based payments			22,094	-	22,094
Transfers to/(from) reserves		80,885	(80,885)		-
Transaction costs	(449,878)		-		(449,878)
Sub total	3,350,467	80,885	59,600	-	3,372,561
Currency translation differences	-	-	-	29,196	29,196
Loss attributable to members of the consolidated group	-	(4,128,738)	-	60,798	(4,067,940)
Sub-total	-	(4,128,738)	-	89,994	(4,038,744)
Balance at 30 June 2009	**27,833,891**	**(27,551,515)**	**59,600**	**-**	**341,976**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Continued

PARENT ENTITY	Share Capital Ordinary $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2007	21,300,481	(20,126,546)	244,212	-	1,418,147
Shares issued during the year	3,539,285	-	-	-	3,539,285
Cost of option based payments	-	-	53,854	-	53,854
Transfers to/(from) reserves	-	179,675	(179,675)	-	-
Transaction costs	(356,342)	-	-	-	(356,342)
Sub total	3,182,943	179,675	(125,821)	-	3,236,797
Currency translation differences	-	-	-	-	-
Loss attributable to members of parent entity		(3,785,084)	-	-	(3,785,084)
Sub total	-	(3,785,084)	-	-	(3,785,084)
Balance at 30 June 2008	**24,483,424**	**(23,731,955)**	**118,391**	-	**869,860**
Balance at 1 July 2008	24,483,424	(23,731,955)	118,391	-	869,860
Shares issued during the year	3,800,345	-	-	-	3,800,345
Cost of option based payments	-	-	22,094	-	22,094
Transfers to/(from) reserves	-	80,885	(80,885)	-	-
Transaction costs	(449,878)	-	-	-	(449,878)
Sub total	3,350,467	80,885	(58,791)	-	3,372,561
Currency translation differences	-	-	-	-	-
Loss attributable to members of parent entity	-	(3,900,445)	-	-	(3,900,445)
Sub-total	-	(3,900,445)	-	-	(3,900,445)
Balance at 30 June 2009	**27,833,891**	**(27,551,515)**	**59,600**	-	**341,976**

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		726,639	822,882	-	68,792
Payments to suppliers and employees		(2,607,256)	(3,267,321)	(504,956)	(1,241,710)
Interest received		33,404	41,483	33,404	129,203
Interest paid		(12,948)	-	(12,948)	-
Other income		111,479	1,395	-	1,395
Net cash outflow from operating activities	21	(1,748,682)	(2,401,561)	(484,500)	(1,042,320)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		(119,175)	(60,756)	-	(2,180)
Loan to controlled entity		-	-	(1,377,509)	(1,307,707)
Net cash outflow from investing activities		(119,175)	(60,756)	(1,377,509)	(1,309,887)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of new shares	15	3,742,637	3,496,418	3,742,637	3,496,418
Repayment of borrowings		(1,174,454)	(1,005,869)	(1,174,454)	(1,005,869)
Share issue costs	15	(449,879)	(356,343)	(449,879)	(356,343)
Net cash inflow from financing activities		2,121,304	2,134,206	2,121,304	2,134,206
Net (decrease)/increase in cash held		253,447	(328,111)	259,295	(218,001)
Cash at the beginning of the financial period		118,223	446,334	112,375	330,376
NET CASH AT END OF PERIOD	21	371,670	118,223	371,670	112,375

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Note 1: Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements were authorised for issue by the Board on 31 August 2009.

The financial report covers the consolidated group of Sun Biomedical Limited and controlled entities, except for Sun Biomedical Laboratories, Inc. and Sun Biomedical Limited as an individual parent entity. Sun Biomedical Limited is a listed public company, incorporated and domiciled in Australia.

In April 2009, Sun Biomedical Limited exercised its first ranking charge over all the assets of US subsidiary, Sun Biomedical Laboratories, Inc. held as security of the intercompany loan. All US staff members were retrenched and the premises were closed as at the end of April 2009. The entire outstanding balance of the loan of USD 3.088m has been written off. Consequently, the directors have no confidence in the accuracy of the financial records pertaining to Sun Biomedical Laboratories, Inc. and have decided to exclude the results from the financial report. Further details are set out in Note 5 Discontinued Operations.

Except for the exclusion of Sun Biomedical Laboratories, Inc. from the consolidated group, the financial report of Sun Biomedical Limited and controlled entities, and Sun Biomedical Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the financial report of Sun Biomedical Limited and controlled entities, and Sun Biomedical Limited as an individual parent entity complies with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs.

Significant Estimates and Critical Judgments

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The following significant judgments and critical estimates have been made in preparation of this financial report. If these judgments or estimates were to significantly change this could have a material effect on the financial statements.

1. *Parent Entity – impairment of intercompany receivable*
   During the year the recoverability from Sun Biomedical Laboratories Inc was considered to be impaired based on the recoverable amount assessed. Further information on the impairment can be found in Note 9.

2. *Impairment of intangible assets*
   During the year intangible assets were tested for impairment. The recoverable amount of the intellectual property was estimated (further information on these significant estimates can be found in Note 13(a)) and was found to be less than the carrying value. An impairment loss of $1,382,407 has been recognised.

3. *Non-recognition of deferred tax assets*
   A deferred tax asset has not been recognised due to the uncertainty of the recoverability of tax losses.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity controlled by Sun Biomedical Limited. Control exists where Sun Biomedical Limited has the capacity to dominate the decision-making in relation to the financial and operating activities of another entity so that the other entity operates with Sun Biomedical Limited to achieve the objectives of Sun Biomedical Limited.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Investments in subsidiaries are accounted for at cost less any impairment losses in the individual financial statements of Sun Biomedical Limited.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads where applicable. Overheads are applied on the basis of normal operating capacity.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment loss, where applicable.

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the consolidated group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(ii) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

(iii) The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	5 - 22.5%
Leased plant and equipment	25 - 33 %

(d) Financial Instruments

Recognition
Financial instruments are initially measured at fair value (which represents cost) on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Other Financial Assets
Other financial assets, including investments in controlled entities, are recognised at cost, less where applicable any impairment losses.

Financial liabilities
Non-derivative financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principal payments and amortisation.

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Fair value estimations
The fair value of Financial assets and Financial liabilities must be estimated for recognition and disclosure purposes. The nominal value less estimated credit adjustment of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available for similar financial instruments.

Impairment
At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. If recoverable amount is assessed as lower than carrying amount, impairment losses are recognised in the income statement.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorgansiation, and defaults or delinquent payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment losses is recognised in the income statement.

(e) Intangibles

Intellectual Property
Intellectual property is recognised at cost of acquisition and is amortised over the period in which its benefits are expected to be realised. The intellectual property is amortised over seven years. The balances are reviewed annually for impairment and any balance representing future benefits for which the realisation is considered to be no longer probable are recognised in the income statement as impairment losses.

(f) Research and Development

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. Where no intangible asset can be recognised, research and development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(g) Income Tax

The consolidated group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and the consolidated group will continue to comply with the conditions of deductibility imposed by the law.

(h) Cash & Cash Equivalents

For the purpose of the statements of cash flows, cash includes:

- cash on hand and on call deposits with banks or financial institutions, net of overdrafts; and
- investments in money market instruments with less than 3 months to maturity.

(i) Comparative Figures

Where necessary comparative figures are adjusted to conform with the changes in presentation of the current period.

(j) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave, which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have not been measured at the present value of the estimated future cash outflows as the amounts involved are not material. Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to the customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

(m) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.
Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The functional currency of the foreign operation, Sun Biomedical Laboratories Inc is United States dollars (US$).
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:
- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed of.

(n) Investments in Associates

Investments in associated companies are recognised in the parent financial statements at cost and in the consolidated financial statements by applying the equity method of accounting. Associates are all entities over which significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. The groups investment is associates includes goodwill (net of any impairment) identified on acquisition. The group's share of its associates' post acquisition profits or losses is recognised in the income statement and adjusted to the carrying amount of the investment. Unrealised gains or losses between the group and its associates are eliminated to the extent of the group's interest in the associate.

(o) Equity based payment transactions

The Group provides benefits to officers (including directors) and some payments to consultants of the Group in the form of share-based payment transactions, whereby officers and consultants render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with officers and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by applying a Black Scholes pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, but is linked to the price of the shares of Sun Biomedical Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant officers and consultants become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(p) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.
Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the assets value in use cannot be estimated to be close to its fair value less costs to sell

and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Loss per share

Basic loss per share is calculated as net loss attributable to members of the parent entity, adjusted to exclude any costs of servicing equity (other than dividends) , divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) New accounting standards and interpretations

The following accounting standards, amendments and interpretations have been issued by the Accounting Standards Board but are not yet effective, are expected to effect the group in the initial period of adoption and have not been applied in preparation of this financial report:

AASB 8 Operating Segments (Issued February 2008)and AASB 2007-3 Amendments to Australian Accounting Standards Arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting financial performance for segments. This information will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to segments. The adoption of AASB 8 when it becomes mandatory is expected to significantly change the way the segment information is presented, but is not expected to have an impact on any reported amounts.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for reporting periods commencing on or after 1 January 2009. It requires changes to the way that the primary statements are presented but will not have any effect on reported amounts.

None of the other standards, amendments or interpretations issued which are not yet effective are expected to change any of the reported amounts of the Group.

(u) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITIES
ABN 18 001 285 230

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 2: Revenue and other income

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
- Sales from continuing operations	-	30,000	-	30,000
- Interest received	33,332	129,203	33,332	129,203
- Other revenue from continuing operations	-	1,395	-	1,395
	33,332	160,598	33,332	160,598

Note 3: Income tax expense

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Numerical reconciliation of income tax expense (benefit) to prima facie tax payable (benefit):				
Prima facie tax benefit on loss before income tax at 30% (2008: 30%):	(143,729)	(307,302)	(143,729)	(307,302)
Add:				
Tax effect of amounts which are not deductible in calculating taxable income:				
- equity based payments	10,753	29,016	10,753	29,016
- tax losses for the year not recognised	132,796	278,286	132,976	278,286
Income tax expense (benefit)	-	-	-	-
Unrecognised deferred tax assets (Australian Entities):				
Deferred tax assets and liabilities not recognised relate to the following:				
Tax effect at 30%				
- Tax losses	1,130,583	997,607	1,130,583	997,607
	1,130,583	997,607	1,130,583	997,607
Gross:				
- Tax losses	3,768,610	3,325,356	3,768,610	3,325,356
	3,768,610	3,325,356	3,768,610	3,325,356

Deferred tax assets of Australian Entities have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. These amounts exclude the losses of overseas controlled entities of approximately $2,466,804 (2008:$1,088,000). Given that the company will not be operating the 'same business' and is unlikely to satisfy the 'continuity of ownership' test given its changing share register, it is considered improbable that the company will be able to claim these tax losses. Should it be possible to do so after any return to profitability, the company will conduct a review of its share register and claim any tax losses where appropriate.

Note 4: Discontinued operations

On 30 April 2009, the consolidated group announced its decision to dispose of its USA manufacturing and distribution division, thereby discontinuing its operations in this business segment. Consequently, the parent company exercised its first ranking charge over all the assets of 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 patents to the parent company, 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.

Financial information relating to the discontinued operation to the date of disposal is set out below. The financial performance of the discontinued operation to the date of sale which is included in profit/(loss) from discontinued operations per the income statement is as follows:

	Consolidated Group		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Revenues from discontinued operations	736,089	637,842	-	-
Other income from discontinued operations	100,258	147,176	-	(31,754)
Raw materials and consumables used	(1,007,570)	(314,815)	-	-
Employee benefits expense	(636,031)	(603,259)	-	-
Consulting fees	(115,940)	(133,183)	-	-
Travel and accommodation expense	-	(59,498)	-	-
Insurance	(12,562)	(22,868)	-	-
Advertising and marketing expense	(102,779)	(44,679)	-	-
Administration expense	(268,342)	(330,237)	-	-
Regulatory compliance expenses	-	(47,593)	-	-
Legal expenses	(106,187)	(83,846)	-	-
Rent	(119,578)	(131,500)	-	-
Impairment of loans	-	-	(1,487,214)	(1,182,400)
Impairment of intangible assets	(1,382,407)	(1,000,000)	(1,382,407)	(1,000,000)
Realised loss on Promissory Note	(150,297)	-	(150,297)	-
Depreciation and amortisation expense	(401,430)	(546,590)	(401,430)	(546,590)
Other	(60,798)	-	-	-
Bad debts written off	(52,132)	-	-	-
Loss on disposal of non current assets	(69,935)	-	-	-
Loss before income tax	**(3,649,641)**	**(2,533,050)**	**(3,421,348)**	**(2,760,744)**
Income tax expense attributable thereto	(1,094,892)	(759,915)	(1,026,404)	(828,223)
Tax losses for the year not recognised	1,094,892	759,915	1,026,404	828,223
Income tax expense	-	-	-	-
Loss after income tax from discontinued operations attributable to members of the parent entity	**(3,649,641)**	**(2,533,050)**	**(3,421,348)**	**(2,760,744)**

The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:

	Consolidated Group	
	2009	2008
	$	$
Net cash inflow/(outflow) from operating activities	(1,231,850)	(1,359,241)
Net cash inflow/(outflow) from investing activities	(119,175)	(58,576)
Net cash inflow/(outflow) from financing activities	-	-
Net cash increase in cash generated by the discontinuing division	(1,351,025)	(1,417,817)

The division has not been disposed of as at 30 June 2009 and no gain or loss on disposal is recorded in the income statement.

Note 5: Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(a) Audit Services				
Renumeration of the auditor of the parent entity for:				
- auditing or reviewing the financial reports	28,140	83,210	28,140	83,210
(b) Non Audit Services				
- taxation services – paid to a related practice of the auditor	12,000	34,342	12,000	34,342
Remuneration of an affiliate of the auditor of the parent entity for:				
- auditing or reviewing of the financial report of Sun Biomedical Laboratories, Inc.	-	18,348	-	-

Note 6: Dividends

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
No dividends were paid or proposed during the financial year.				
Balance of franking account at year end adjusted for franking credits arising from payment of provision of income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years:	325,572	325,572	325,572	325,572

Note 7: Loss per share

	Consolidated Group	
	2009	2008
	$	$
Overall Operations		
Basic and diluted loss per share (cents per share)	(0.53)	(0.97)
Loss used in the calculation of basic EPS ($)	(4,128,738)	(3,557,390)
Continuing Operations		
Basic and diluted loss per share (cents per share)	(0.06)	(0.28)
Loss used in the calculation of basic EPS ($)	(479,097)	(1,024,340)
Discontinued Operations		
Basic and diluted loss per share (cents per share)	(0.47)	(0.69)
Loss used in the calculation of basic EPS ($)	(3,649,641)	(2,533,050)
Weighted average number of shares outstanding during the year used in calculations of basic earnings per share	728,559,844	365,272,840

There was no dilutive effect of options outstanding at balance sheet date. Information on options outstanding at the balance sheet date can be found in Note 23.

Note 8: Cash and cash equivalents

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank	371,670	118,223	371,670	112,375
Reconciliation to cash at year end				
Cash at bank	371,670	118,223	371,670	112,375
Cash and cash equivalents as per Statement of Cash Flows	371,670	118,223	371,670	112,375

Note 9: Trade and other receivables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Trade receivables	-	59,865	-	6,153
Other receivables	11,070	19,681	11,070	19,334
Prepayments	-	191,344	-	151,756
	11,070	270,890	11,070	177,243
Non-Current				
Amounts receivable from:				
- controlled entity (MDM Technologies Pty Ltd)	-	-	13,512	13,512
- controlled entity (Sun Biomedical Australia Pty Ltd)	-	-	49,209	49,209
- controlled entity (Sun Biomedical Laboratories, Inc)	-	-	4,333,950	1,494,609
Less: Impairment	-	-	(4,396,671)	(1,494,609)
	-	-	-	62,721

Note 10: Inventories

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Work in progress				
- at net realisable value	-	33,175	-	-
Finished goods				
- at net realisable value	-	176,921	-	-
	-	210,096	-	-

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $242,494 (2008: $8,754). The expense has been recognised in "raw materials and consumables used" in the income statement for discontinued operations.

Note 11: Investments

(a) Controlled entities and their contribution to consolidated loss

	Country of Incorporation	Percentage Owned		Contribution to Consolidated Loss	
		2009	2008	2009	2008
		%	%	$	$
Parent Entity					
Sun Biomedical Limited	Australia	-	-	(3,900,445)	(3,785,084)
Controlled Entities					
MDM Technologies Pty Ltd	Australia	100	100	-	-
Harrington Group USA Inc	USA	100	100	-	-
Sun Biomedical Australia Pty Ltd	Australia	100	100	-	(42,546)
Sun Biomedical Laboratories Inc.	USA	100	100	(2,466,804)	(1,088,131)
				(6,367,249)	(4,915,761)
			Eliminations	2,238,511	1,358,371
				(4,128,738)	(3,557,390)

(b) Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding		Cost of Parent Entity's Investment	
			2009	2008	2009	2008
			%	%	$	$
MDM Technologies Pty Ltd	Australia	Ordinary	100	100	2	2
Harrington Group USA Inc	USA	Ordinary	100	100	-	-
Sun Biomedical Australia Pty Ltd	Australia	Ordinary	100	100	1,000	1,000
Sun Biomedical Laboratories Inc.	USA	Ordinary	100	100	136,789	136,789
					137,791	137,791
Less: Impairment					(137,791)	(137,791)
					-	-

Note 12: Property, plant and equipment

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Plant and equipment				
Cost	8,050	148,824	8,050	8,050
Accumulated depreciation	(5,457)	(131,836)	(5,457)	(3,445)
Total property, plant and equipment	2,593	16,988	2,593	4,605

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Reconciliation of plant and equipment				
Carrying amount at the beginning of the year	16,988	17,010	4,605	12,619
Additions	135,508	14,563	-	2,180
Disposals	(147,891)	(10,287)	-	(5,896)
Depreciation	(2,012)	(4,298)	(2,012)	(4,298)
Carrying amount at the end of the year	2,593	16,988	2,593	4,605

Note 13: Intangible assets

Consolidated Group	Shockrounds	Sun Biomedical Laboratories Inc. Intellectual Property	Total
	$	$	$
At 30 June 2008			
Cost	8,110,484	3,851,323	11,961,807
Accumulated amortisation and impairment	(8,110,484)	(2,018,913)	(10,129,397)
Net book amount	-	1,832,410	1,832,410
Movement			
Opening balance 1 July 2007	-	3,324,116	3,324,116
Additions	-	50,586	50,586
Amortisation charge	-	(542,292)	(542,292)
Impairment	-	(1,000,000)	(1,000,000)
Closing balance 30 June 2008	-	1,832,410	1,832,410
At 30 June 2009			
Cost	8,110,484	3,851,323	11,961,807
Accumulated amortisation and impairment	(8,110,484)	(3,851,323)	(11,961,807)
Net book amount	-	-	-
Movement			
Opening balance 1 July 2008	-	1,832,410	1,832,410
Additions		-	-
Amortisation charge	-	(399,417)	(399,417)
Impairment	-	(1,432,993)	(1,432,993)
Closing balance 30 June 2009	-	-	-

The intellectual property relates to patents for the design of drug testing products.

Note 13: Intangible assets (continued)

Parent Entity	**Sun Biomedical Laboratories Inc. Intellectual Property**	**Total**
	$	$
At 30 June 2008		
Cost	3,799,202	3,799,202
Accumulated amortisation and impairment	(2,017,378)	(2,017,378)
Net book amount	1,781,824	1,781,824
Movement		
Opening balance 1 July 2007	3,324,116	3,324,116
Amortisation charge	(542,292)	(542,292)
Impairment	(1,000,000)	(1,000,000)
Closing balance 30 June 2008	1,781,824	1,781,824
At 30 June 2009		
Cost	3,799,202	3,799,202
Accumulated amortisation and impairment	(3,799,202)	(3,799,202)
Net book amount	-	-
Movement		
Opening balance 1 July 2008	1,781,824	1,781,824
Amortisation charge	(399,417)	(399,417)
Impairment	(1,382,407)	(1,382,407)
Closing balance 30 June 2009	-	-

(a) Impairment tests for intangible assets – Sun Biomedical Laboratories Inc. Intellectual Property

The intellectual property capitalised through the acquisition of Sun Biomedical Laboratories Inc. related to five patents for device and proprietary technology. Following enforcement of the first ranking security over the loan to SBL and the closure of the US operations on 30 April 2009, these patents have been transferred back to the Parent entity. In light of the closure of the US operations, the directors have fully impaired the carrying value of the intellectual property.

Note 13: Intangible assets (continued)

(b) Impairment tests for intangible assets - Shockrounds

Shockrounds, being an intangible asset with an indefinite life has been tested for impairment annually by comparing its carrying amount with its recoverable amount. The fully impaired amount was recognised in the financial year ended 30 June 2007. There are no indications that impairment losses previously recognised should be reversed.

The Directors considered and concluded the Shockrounds Intangible Asset remains impaired.

Note 14: Trade and other payables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade creditors	22,257	342,495	22,257	170,955
Accrued directors fees	5,000	50,626	5,000	50,626
Sundry creditors and accrued expenses	16,100	29,251	16,100	29,251
	43,357	422,372	43,357	250,832

Note 15: Contributed equity

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
775,179,380 (June 2008: 397,370,388) fully paid ordinary shares	27,833,891	24,483,424	27,833,891	24,483,424
(a) Ordinary shares – number	No.	No.	No.	No.
At the beginning of the reporting period	397,370,388	183,965,378	397,370,388	183,965,378
Issue of shares at 1.0 cents per Rights Issue in Aug 2008	374,082,527	-	374,082,527	-
Issue of shares from option conversions at 2.0 cents	90,608	-	90,608	-
Issue of shares in lieu of payment of directors' fees	3,635,857	-	3,635,857	-
Issue of shares at 1.3 cents per Rights Issue in July 2007	-	183,965,378	-	183,965,378
Issue of shares from option conversions at 1.3 cents	-	4,753,457	-	4,753,457
Issue of shares to Burke and Grill at 10 cents	-	428,675	-	428,675
Issue of shares at 4.3 cents in December 2007	-	21,235,000	-	21,235,000
Issue of shares at 4.3 cents in January 2008	-	3,022,500	-	3,022,500
Balance at end of reporting period	775,179,380	397,370,388	775,179,380	397,370,388
			$	$
(b) Ordinary shares – value				
At the beginning of the reporting period	24,483,424	21,300,481	24,483,424	21,300,481
Issue of shares at 1.0 cents per Rights Issue in Aug 2008	3,740,825	-	3,740,825	-
Issue of shares from option conversions at 2.0 cents	1,812	-	1,812	-
Issue of shares in lieu of payment of	57,708	-	57,708	-

directors' fees				
Issue of shares at 1.3 cents per Rights Issue in July 2007	-	2,391,550	-	2,391,550
Issue of shares from option conversions at 1.3 cents	-	61,795	-	61,795
Issue of shares to Burke and Grill at 10 cents	-	42,868	-	42,868
Issue of shares at 4.3 cents in December 2007	-	913,105	-	913,105
Issue of shares at 4.3 cents in January 2008	-	129,968	-	129,968
Less share issue costs	(449,878)	(356,343)	(449,878)	(356,343)
Balance at end of reporting period	27,833,891	24,483,424	27,833,891	24,483,424

Note 15: Contributed equity (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on the shares.
On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital Risk Management

The Group's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group and the parent entity monitor capital on the basis of current business operations and cash flow requirements.

Note 16: Reserves

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Foreign currency reserve				
Balance as at the beginning of the financial year	(89,994)	(3,974)	-	-
Currency translation differences during the year	89,994	(86,020)	-	-
Balance as at the end of the financial year	-	(89,994)	-	-
Equity based payments				
Balance as at the beginning of the financial year	118,391	244,212	118,391	244,212
Expiry of prior period options	(80,885)	(179,675)	(80,885)	(179,675)
Cost of share based transactions	22,094	53,854	22,094	53,854
Options expired during the period	-	-	-	-
Balance as at the end of the financial year	59,600	118,391	59,600	118,391
Total Reserves	59,600	118,391	59,600	118,391

Note 17: Promissory Note

	2009 $	2008 $	2009 $	2008 $
Liability				
Promissory Note payments for the Sun Biomedical Laboratories Inc. acquisition				
Payable				
- not later than 1 year	-	1,018,076	-	1,018,076
- later than 1 year but not later than 5 years	-	-	-	-
	-	1,018,076	-	1,018,076

The liability relates to the Promissory Note payments due under the acquisition agreement of Sun Biomedical Laboratories Inc. The acquisition agreement provided for installment payments in United States Dollars and is secured on a stock pledge of 600 shares in Sun Biomedical Laboratories, Inc capital stock and against the plant, property and equipment and intellectual property of Sun Biomedical Laboratories, Inc.

In June 2008, the Company reached an agreement with Dr Ming and Alice Sun, the founders of SBL, in relation to the final payment of US$980,000. The Suns agreed to:

a) convert US$490,000 into Shares at $0.01 per Share, the same issue price as under the Rights Issue;
b) be issued with Options on the basis of one Option for every two Shares issued to the Suns under paragraph (a) above, the same ratio as offered under the Rights Issue; and
c) receive a US$490,000 payment following the Rights Issue,

as settlement for the payment of US$980,000.

The conversion under paragraph (a) and the issue of options under paragraph (b) occurred on 25 August 2008. The payment of US $490,000 was made on 5 September 2008.

Note 18: Segment Reporting

	Total Revenue		Consolidated Group Profit/(loss) After Income Tax attributable to Members		Total Assets		Total Liabilities	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
(a) Primary Reporting								
- Business Segments								
(i) Discontinued Operations								
Drug Screening	836,347	785,018	(3,649,641)	(2,533,050)	-	2,154,384	-	1,189,616
Total Discontinued Operations	836,347	785,018	(3,649,641)	(2,533,050)	-	2,154,384	-	1,189,616
(ii) Continuing Operations								
Drug Screening	-	-	-	-	-	-	-	-
Unallocated	33,332	160,598	(479,097)	(1,024,340)	385,333	294,223	43,357	250,832
Total Continuing Operations	33,332	160,598	(479,097)	(1,024,340)	385,333	294,223	43,357	250,832
Total Operations	**869,679**	**945,616**	**(4,128,738)**	**(3,557,390)**	**385,333**	**2,448,607**	**43,357**	**1,440,448**
(b) Secondary Reporting								
- Geographic Segments								
- Australian external	33,332	226,401	(1,661,934)	(2,469,259)	385,333	3,571,282	43,357	1,268,908
- USA	836,347	719,215	(2,466,804)	(1,088,131)	-	(1,122,675)	-	171,540
Total Operations	**869,679**	**945,616**	**(4,128,738)**	**(3,557,390)**	**385,333**	**2,448,607**	**43,357**	**1,440,448**

Drug Screening
Costs incurred to acquire segment assets were $119,175 (2008:$62,969).
Depreciation and amortisation by primary segment was $399,417 (2008:$546,950).
Impairment of intangible assets $1,432,993 (2008: $1,000,000)

Secondary Segment
Cost incurred to acquire segment assets was:
- Australia $Nil (2008: $2,180)
- United States of America $119,175 (2008: $62,969)

Note 18: Statement of Operations by Segments (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Business Segment

Drug screening relates to the Sun Biomedical business and the development and sale of screening products for drugs of abuse. This business was discontinued during the current year.

Geographic Segment

Although the consolidated entity's divisions are managed on a global basis they operate in two main geographical areas:

Australia – the home country of the parent entity and the principal location of management and the financing of the operations.

United States – comprises operations for the manufacture and development of the company's products. Discontinued in current year.

Note 19: Financial instruments

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when the debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

For the group there is no concentration of credit risk with respect to current and non current receivables as the Group has a large number of customers. Group Policy is that sales are only made to customers that are credit worthy. Credit risk for the parent entity is concentrated in the receivable from Sun Biomedical Laboratories Inc. However, this receivable has been fully impaired by $4,333,950 (2008: $1,494,609)

The maximum exposure to credit risk at the balance sheet date is as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash and cash equivalents	371,670	118,223	371,670	112,375
Loans and receivables	11,070	270,890	11,070	177,243
Loans granted	-	-	4,396,670	1,557,330
Less: Impairment of loans	-	-	(4,396,670)	(1,494,609)
	382,740	389,113	382,740	352,339

Note 19: Financial instruments (continued)

The fair value of the current receivables approximates their carrying values. The fair value of the non-current receivables which have not been impaired is not material.

There are no allowances against trade receivables (2008: NIL)

Ageing

There are no allowances against trade receivables (2008: NIL)

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Not past due	11,070	29,773	11,070	1,395
Past due 0 – 30 days	-	17,272	-	1,395
Past due 31 – 60 days	-	-	-	-
Over 60 days	-	12,820	-	3,363
	11,070	59,865	11,070	6,153

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the board of Directors that the Treasury maintain adequate committed facilities to be able to meet debts as they fall due.

The following maturity analysis is done on a contractual undiscounted cashflow basis:

Maturity Analysis – Consolidated Group 2009

Financial liabilities	Carrying Amount	Contractual Cashflows	< 6 months	6 – 12 months	1-3 years	> 3 years
	$	$	$	$	$	$
Trade and other payables	43,357	43,357	43,357	-	-	-
Promissory Note (see Note 17)	-	-	-	-	-	-
	43,357	43,357	43,357	-	-	-

Maturity Analysis – Consolidated Group 2008

Financial liabilities	Carrying Amount	Contractual Cashflows	< 6 months	6 – 12 months	1-3 years	> 3 years
	$	$	$	$	$	$
Trade and other payables	422,372	422,372	422,372	-	-	-
Promissory Note (see Note 17)	1,018,076	1,018,076	1,018,076	-	-	-
	1,440,448	1,440,448	1,440,448	-	-	-

Maturity Analysis – Parent Entity 2009

Financial liabilities	Carrying Amount	Contractual Cashflows	< 6 months	6 – 12 months	1-3 years	> 3 years
	$	$	$	$	$	$
Trade and other payables	43,357	43,357	43,357	-	-	-
Promissory Note (see Note 17)	-	-	-	-	-	-
	43,357	43,357	43,357	-	-	-

Note 19: Financial instruments (continued)

(c) Liquidity risk (continued)

Maturity Analysis – Parent Entity 2008

Financial liabilities	Carrying Amount	Contractual Cashflows	< 6 months	6 – 12 months	1-3 years	> 3 years
	$	$	$	$	$	$
Trade and other payables	250,832	250,832	250,832	-	-	-
Promissory Note (see Note 17)	1,018,076	1,018,076	1,018,076	-	-	-
	1,268,908	1,268,908	1,268,908	-	-	-

The fair value of the current trade and other payables approximates their carrying values. As the promissory note has been settled within 6 months after 30 June 2008 its fair value at that date is not significantly different to its carrying amount.

(d) Market rate risk

Market risk arises from the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk). The Company and Group are not subject to other price risk on its financial instruments.

(e) Interest rate risk

Interest rate risk arises on cash and cash equivalents, receivables from related parties and the issued promissory note. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group no policies are in place to formally mitigate this risk.

Sensitivity to changes in interest rates:

If interest rates were to move 100 bps up or down in the next 12 months, the following effect on reported profits or losses from all interest bearing financial assets and financial liabilities, is expected:

- The profit effect on the consolidated group of an interest rate increase of 1% is $2,405 (2008: $1,182) and the profit effect of an interest rate decrease is $(2,405) (2008:$(1,182)).

- The profit effect on the parent entity of an interest rate increase of 1% is $2,405 (2008:$12,948) and the profit effect of an interest rate decrease is $(2,405) (2008:$(12,948)).

(f) Currency risk

In the parent, currency risk arises on the receivables from its US subsidiaries. The group is not subject to currency risk as all transactions in the different geographical segments are in their own functional currency. At 30 June 2009, the receivable from Sun Biomedical Laboratories Inc. has been fully impaired, therefore any movements in exchange rates would not affect reported profits of losses.

(g) Other Price risk

The Group is not exposed to other price risk from the market.

Note 20: Related Parties

No director has entered into contracts with the Company since the end of the previous financial year.

Wholly-owned Group
The wholly-owned group consists of Sun Biomedical Limited and wholly-owned controlled entities MDM Technologies Pty Ltd, HGR USA Inc., Sun Biomedical Laboratories Inc., and Sun Biomedical Australia Pty Ltd.

All intercompany transactions are on an arms length basis.

Note 21: Notes to the statements of cash flows

(a) For the purposes of the statements of cash flows, cash includes cash on hand and in banks net of bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows is reconciled to the relevant items in the Balance Sheet as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash on hand				
Cash at bank	371,670	118,223	371,670	112,375
Cash as per Statement of Cash Flows	371,670	118,223	371,670	112,375

(b) Reconciliation of operating loss after income tax to net cash outflow from operating activities:

	2009	2008	2009	2008
	$	$	$	$
Loss after income tax	(4,128,738)	(3,557,390)	(3,900,445)	(3,785,084)
Non cash flows in loss for the year				
Depreciation and amortisation	401,430	546,590	401,430	546,590
Equity based payments	13,749	42,867	13,749	42,867
Share options expensed	22,094	53,854	22,094	53,854
Loss on disposal of non-current assets	69,935	5,896	-	5,896
Bad debts written off	52,132	-	-	-
Impairment write downs	1,382,407	1,000,000	1,382,407	1,000,000
Impairment of loans	-	-	1,487,214	1,182,400
Write off of inventory	242,494	-	-	-
Write off of FX reserve	60,798	-	-	-
Foreign exchange loss	118,022	-	150,297	-
Unrealised foreign exchange gain (loss)	-	(172,170)	-	92,781
Sub total	(1,765,677)	(2,080,353)	(443,254)	(860,696)
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	7,732	3,575	6,153	(6,153)
(Increase)/decrease in other debtors	8,611	63,745	8,264	44,945
(Increase)/decrease in prepayments	191,344	(137,251)	151,755	(99,200)
(Increase)/decrease in inventories	(32,398)	(126,986)	-	-
Increase/(decrease) in trade creditors and accruals	(158,294)	(124,291)	(207,418)	(121,216)
Net cash outflow from operating activities	(1,748,682)	(2,401,561)	(484,500)	(1,042,320)

Note 21: Notes to the statements of cash flows (continued)

(c) Non-cash Financing and Investing Activities

Share Issues

In 2008, 428,675 ordinary shares were issued at $0.10 cents as part of consideration for consulting services. These are included in the Equity Based Payments amount.

Note 22: Equity Based Payments

Options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

Options have been granted to directors, following approval by shareholders, for no consideration and on varying terms. Options issued as part of remuneration to directors and key management personnel is included in the Directors' Report.

In addition options have been granted to various consultants used by the Company.

On exercise, each option is convertible to one ordinary share on receipt of the exercise notice and payment of the exercise price in Australian dollars. Amounts received on the exercise of options are recognised as share capital.

Summary of share based payments expense for the year.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Share based payments				
- Key Management Personnel	13,749	-	13,749	-
- External Consultants	-	42,867	-	42,867
Option based payments				
- Key Management Personnel	22,094	53,854	22,094	53,854
- External Consultants	-	-	-	-
	35,843	96,721	35,843	96,721

Share based payments of $57,708 were made to two directors, Mr Peter King and Mr Jim Hallam, this year. Of this amount, $43,959 was in lieu of directors' fees due from the prior year with the remaining $13,749 in lieu of fees due in the current financial year. Mr Hallam's 1,155,095 shares were transferred to Log Creek Pty Ltd on 14 January 2009.

No share based payments to external consultants have been made this year (2008: $42,867).

Note 23: Equity Based Payments (continued)

Set out below is a summary of options granted.

Grant Date	Expiry Date	Exercise Price	Number of Options
8 September 2006	12 September 2009	10 cents	1,000,000
8 September 2006	30 June 2011	10 cents	20,000,000
25 June 2008	15 September 2011	2 cents	2,000,000
			23,000,000

	Economic and Parent Entity			
	2009		2008	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		$		$
Outstanding at the beginning of the year	78,914,938	0.23	46,300,000	0.25
Granted	-	-	40,918,395	0.23
Forfeited	(4,000,000)	0.045	(7,503,457)	0.25
Exercised	-	-	-	-
Expired	(51,914,938)	0.19	(800,000)	0.25
Outstanding at year end	23,000,000	0.09	78,914,938	0.23
Exercisable at year end	23,000,000	0.09	72,914,938	0.24

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.09 (2008: $0.23) and a weighted average remaining contractual life of 1.9 years (2008: 1.3 years). Exercise prices range from $0.02 to $0.10 in respect of options outstanding at 30 June 2009.

No options were granted during the year. In 2008, the price was calculated using a Black-Scholes option pricing model applying the following inputs at grant date:

	2009	2008
Weighted average exercise price	-	**$0.23**
Weighted average life of the option	-	**1.3 years**
Underlying share price	-	**$0.013**
Expected share price volatility	-	**175%**
Risk free interest rate	-	**6.64%**

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the expiry date, which may not eventuate in the future.

Included under equity based payments expense in the income statement relating to share based payment is $35,843 (2008: $96,721). This amount included for 2009 $13,749 (2008: $42,867) in fully paid ordinary shares and $22,094 (2008: $53,854) in options expense.

Note 24: Key Management Personnel

(i) Details of Key Management Personnel

Chairman – non-executive
Mr P King (from 24 February 2005)

Non-Executive directors
Mr J Hallam (from 24 October 2007)
Mr A Paice (from 29 February 2008)

Key Management Personnel
Mr Jack Kerins (Chief Executive Officer, Sun Biomedical Laboratories Inc, from 22 February 2008 to 30 April 2009)

(ii) Compensation of Key Management Personnel

These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Short term employees benefit	313,304	532,598	46,941	375,721
Share based payments	35,843	48,005	35,843	48,005
	349,147	580,603	82,784	423,726

The amounts owing at balance date are disclosed in Note 14.

Note 24: Key Management Personnel (continued)

(iii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

2009	Balance at the start of the year	Granted as renumeration	Other changes during the year	Balance at the end of the period
Directors				
Mr Peter King[1]	-	2,480,762	-	2,480,762
Mr Jim Hallam[1,3]	-	1,155,095	(1,155,095)	-
Mr Andrew Paice[2]	5,116,250	-	4,093,000	9,209,250
	5,116,250	3,635,857	4,093,000	12,845,107

Note:
1. Acquired in lieu of payment of directors fees
2. 4,093,000 shares were acquired as part of Company's Rights Issue in August 2008
3. Mr Hallam's shares were transferred to Log Creek Pty Ltd

2008	Balance at the start of the year	Granted as renumeration	Other changes during the year	Balance at the end of the period
Directors				
Mr Peter King	-	-	-	-
Mr Jim Hallam	-	-	-	-
Mr Andrew Paice	-	-	5,116,250	5,116,250
	-	-	5,116,250	5,116,250

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares, have been entered into on an arms length basis.

Note 24: Key Management personnel (continued)

(iv) Option holdings of Key Management Personnel

Options held directly and indirectly in the Company:

2009	Balance at the start of the year	Granted during the year as compensation	Lapsed/ Expired during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors					
Mr Peter King	750,000	-	(750,000)	-	-
Mr Andrew Paice	500,000	-	-	500,000	500,000
	1,250,000	-	(750,000)	500,000	500,000
Other Key Management Personnel					
Jack Kerins[1]	6,000,000		(4,000,000)	2,000,000	2,000,000
	6,000,000		(4,000,000)	2,000,000	2,000,000

Note:
1. Resigned or ceased to be key management personnel on 30 April 2009. The 4,000,000 options were linked to the attainment of a sales target which will not be met following the closure of the US operations in April 2009.

2008	Balance at the start of the year	Granted during the year as compensation	Lapsed/ Expired during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors					
Mr Peter King	750,000	-	-	750,000	750,000
Mr Brian Andrews[1]	500,000	-	-	500,000	500,000
Mr Andrew Paice[1]	500,000	-	-	500,000	500,000
Mr Peter Boonen[2]	1,250,000		(1,250,000)	-	-
	1,750,000	-	-	1,750,000	1,750,000
Other Key Management Personnel					
Jack Kerins[3]	6,000,000	-	-	6,000,000	-
	6,000,000	-	-	6,000,000	-

Note:
1. Options issued as sign on bonus and ratified by shareholders at General Meeting 8 September 2006
2. Resigned or ceased to be key management personnel
3. Options issued as approved by the Board on 20 June 2008

Note 25: Company Details

The registered office and principal place of business of the parent company is:

Sun Biomedical Limited
c/o Tress Cox Lawyers
Level 9
469 La Trobe Street
Melbourne
Victoria, Australia 3000

Note 26: Subsequent Events

Except for the matters discussed above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group, in subsequent financial years.

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. the financial statements and notes for the financial year ended 30 June 2009 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the audited remuneration disclosures on pages 14 to 16 of the directors' report (the audited Remuneration Report) for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the Directors by:

Hallam

Jim Hallam
Director

Melbourne
1 September 2009

Armstrong Partners

CHARTERED ACCOUNTANTS

SUN BIOMEDICAL LIMITED
A.B.N. 18 001 285 230
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SUN BIOMEDICAL LIMITED

Report on the financial report

We have audited the accompanying financial report of Sun Biomedical Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and the statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standards AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. the financial report of Sun Biomedical Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and group's financial position as at 30 June 2009 and of their performance for the year ended on that date; *and*

   ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification of our opinion we draw attention to these specific areas of inherent uncertainty regarding the ongoing operations of the group:

i. The company has been unable to date to attract suitable buyers for its world-wide patents;

ii. The directors are yet to identify future opportunities and direction for the group; *and*

iii. Whilst the company has cash resources sufficient to meet its caretaker obligations, inherent uncertainty exists as to whether these are sufficient to carry it through to 30 June 2010.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Sun Biomedical Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

Armstrong Partners

David A Armstrong

David Armstrong
Partner

Melbourne
1 September 2009

OTHER INFORMATION

STATEMENT OF SHAREHOLDING AS AT 24 AUGUST 2009

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

Twenty Largest Shareholders

	Shareholder	Number of Shares Held	% Holding
1.	ACM CONSULTING SERVICES PTY LTD	54,507,320	7.03
2.	GREENDAY CORPORATE PTY LTD	54,457,319	7.03
3.	MR JASON PETERSON + MRS LISA PETERSON	26,763,150	3.45
4.	MR MATTHEW THOMAS HASELER + MR PETER HASELER + MR CHARLES HASELER	20,009,026	2.58
5.	MR TERRENCE PETER WILLIAMSON + MS JONINE MAREE JANCEY	15,000,000	1.94
6.	MR ANGELO CARBONE	12,735,700	1.64
7.	FORBAR CUSTODIANS LIMITED	12,319,668	1.59
8.	MR DAVID MARK CLYNE + MRS RHONDA JEAN CLYNE	11,340,000	1.46
9.	MRS JAYNE BIRD	9,514,666	1.23
10.	MR ANDREW JOHN PAICE	9,209,250	1.19
11.	MR JAMES DILLON + MS KATHRYN MARY MALE	8,400,000	1.08
12.	MS JUDY ELLEN HARTE	8,000,077	1.03
13.	MR RAMI ABOUSHABAN	7,716,106	1.00
14.	MR LUKE JAMES CURRAN	7,500,000	0.97
15.	CELTIC CAPITAL PTY LTD	6,000,000	0.77
16.	MR JOSEPH JAAJAA	6,000,000	0.77
17.	MR MICHAEL NAPORIANA KIPA	6,000,000	0.77
18.	MR NIGEL JAMES WOODWARD	6,000,000	0.77
19.	MR ANGELO ROCCO CARBONE + MRS ROSA MARIA CARBONE	5,005,000	0.65
20.	MR PETER WILLIAM MAGRATH + MRS JENNIFER MARGARET MAGRATH	5,000,000	0.65
		291,477,282	**37.60**

Distribution of Shareholdings

Category (size of holding)	Number of Ordinary Shares	Number of Holders
1- 1,000	28,041	65
1,001 – 5,000	300,283	95
5,001 – 10,000	1,044,954	118
10,001 – 100,000	30,046,491	610
100,001 and over	743,759,611	680
	775,179,380	**1,568**

OTHER INFORMATION

Stock Exchange Listing – Listing has been granted for all the ordinary shares and listed options of the company on all Member Exchanges of the Australian Securities Exchange Limited.

Voting Rights
The voting rights attached to Ordinary shares are as follows:
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Unmarketable parcels
There are 1,350 shareholdings held in less than the marketable parcels.

Substantial shareholders
The names of the substantial shareholders listed in the holding company's register as at 24 August 2009 are:

Shareholder	Number of shares	% Holding
ACM Consulting Services Pty Ltd	54,507,320	7.03
Greenday Corporate Pty Ltd	54,457,319	7.03

Listed Option holders
The Company has listed 186,950,656 options with an exercise price of $0.02 and an expiry date of 30 November 2010.

Twenty Largest Option Holders

	Option Holder	Units	%
1.	MR MING SUN + MRS ALICE SUN	37,565,331	20.09
2.	LOG CREEK PTY LTD	25,000,000	13.37
3.	MR PETER ANDREW PROKSA	12,602,184	6.74
4.	MR SAM CHRISTOPHER SLANEY CODRINGTON	10,000,000	5.35
5.	MR MARTIN MELOV	10,000,000	5.35
6.	MR ROBERT SINCLAIR PARSONSON	4,124,800	2.21
7.	INVIA CUSTODIAN PTY LIMITED	3,700,000	1.98
8.	MR PAUL MARTEN	3,700,000	1.98
9.	MR DAVID COX	3,000,000	1.60
10.	MR FRANCESCO ANTONIO CUSCUNA	3,000,000	1.60
11.	MR SCOTT JOHNSTONE	3,000,000	1.60
12.	MRS JAYNE BIRD	2,985,334	1.60
13.	MRS PAULINE ANNE HAKALA + MR TIMO HAKALA <HAKALA SUPER FUND A/C>	2,950,000	1.58
14.	CHETAN ENTERPRISES PTY LTD	2,194,696	1.17
15.	ALOUISUS PTY LTD	2,125,000	1.14
16.	MR ANDREW JOHN PAICE	2,046,500	1.09
17.	MR TIMOTHY MICHAEL JONES	1,944,318	1.04
18.	FOWEY PTY LTD	1,875,000	1.00
19.	PEAK ELECTRICAL SERVICES PTY LTD	1,850,000	0.99
20.	MRS QI SHI BAO	1,688,125	0.90
		135,351,288	**72.40**

OTHER INFORMATION

Distribution of Option holders

Category (size of holding)	Number of Listed Options	Number of Holders
1- 1,000	5,002	9
1,001 – 5,000	113,711	35
5,001 – 10,000	337,124	42
10,001 – 100,000	6,141,537	138
100,001 and over	180,353,282	124
	186,950,656	348

ASX Corporate Governance and Best Practice Recommendations

Directors have reviewed the ASX Corporate Governance and Best Practice Recommendations and the principles as set out hereunder:

1: Lay solid foundations for management and oversight.
2: Structure the board to add value.
3: Promote ethical and responsible decision making.
4: Safeguard integrity in financial reporting.
5: Make timely and balanced disclosure.
6: Respect the rights of shareholders.
7: Recognise and manage risk.
8: Encourage enhanced performance.
9: Remunerate fairly and responsibly.
10: Recognise the legitimate interests of stakeholders.

These principles have been adopted by the Board where practicable and an outline of the Corporate Governance practices adopted by the Company is set out in the Directors' Report.

CORPORATE DIRECTORY

DIRECTORS

Peter King
Non Executive Chairman

Jim Hallam
Non-Executive Director

Andrew Paice
Non-Executive Director

COMPANY SECRETARY
Alfonso Grillo

AUDITORS
Armstrong Partners

BANKERS
ANZ

SHARE REGISTRY
Computershare Investor Services Pty Ltd
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