

ASX Company Announcement**ACTIVITY REPORT & APPENDIX 4C****29 January 2015**

Update on Oraline® development

During the December quarter Sun Biomedical continued its focus on the development of the Oraline®4 drug test as well as investigating the appropriate development pathway for Oraline®6 dual strip test.

In addition to securing Safecare as an alternative strip manufacturer for the Oraline® product line during previous quarter, the Company has also approached an alternative manufacturer (remains under confidentiality) that has capability to produce strips with very low THC cut-offs that are required for re-entering the established markets. Discussions are currently underway with the company and their laboratory to determine next development steps for Oraline®4.

During the quarter Sun Biomedical has also undertaken market research around the possibility of the strip development for select Eastern European countries where the current version of Oraline®4 strip will suffice for the market requirements and where the market is very price driven. While these are very low price markets, the potential volumes may give the desired return over time, even based on a small margin per unit.

“The Company continues to progress with the development and market entry plans for our Oraline® product line and we are encouraged by the amount of distributors and manufacturers that are keen to help us commercialise our unique products” said Howard Digby, Executive Chairman of the Company. “While the global market is now dominated by saliva drug tests that test one drug per strip, our Company has a strong view that there is a large opportunity for a device that can demonstrate accuracy and reliability within the multi-drug testing setting such as Oraline®4 and Oraline®6”.

The Company will continue to provide timely updates on the Oraline® development.

Ongoing Asthma Research Study

The Company is currently funding a study at the Telethon Kids Institute in people with allergies. The objective of this project is to perform a detailed analysis of immune responses to house dust mites in allergic subjects with or without asthma, to determine if there is a specific pattern of immune responses associated with asthma. Results of the study could lead to developing new mechanisms to predict asthma and new therapeutic targets.

House Dust Mite (HDM) allergy is a significant risk factor for asthma in many countries. The higher the level of dust mite exposure at the age of 1 year, the earlier the first episode of wheezing occurred. Clinical studies, have shown that the relative risk of asthma (which includes exposure to indoor allergens such as HDM, male gender, family history of asthma, atopy and airway hyper-reactivity) was almost five times greater in the subjects who were exposed to high levels of dust mite allergen.

In this interplay, intrinsic properties of the exogenous proteins and environmental co-factors certainly play a role, but host-immune factors are of crucial importance to explain why every individual exposed to such an allergen does not develop an allergy.

Predisposition for developing an allergy is the result of a complex multifactorial interplay of genes and environment. To understand the immunobiological mechanism of sensitisation to allergens, their interaction with relevant structural and immune cells during mucosal exposure and entry, is of the utmost importance. Understanding could lead to development of novel therapies with disease modifying potential as well as new diagnostic tools.

The asthma therapeutic market represents a massive opportunity with forecasts of \$40B plus in asthma and COPD sales in year 2015 (source: IMS) and two top selling asthma medications generating \$9B - \$10B in sales this year (Advair and Singulair).

Sun Biomedical is expecting a progress update on this project during current quarter.

In addition to drug testing and asthma research and development activities, the Company will continue to explore for the right licensing and acquisition opportunities during the next quarters.

Howard Digby
Executive Chairman

About Sun Biomedical:

Sun Biomedical Limited is an international biotechnology company with assets and intellectual property in the area of occupational drug testing. The Company also has significant research interests in the area of asthma and other respiratory diseases. Sun Biomedical is currently funding a study at the Telethon Kids Institute in people with allergies. The objective of this project is to perform a detailed analysis of immune responses to house dust mites in allergic subjects with or without asthma, to determine if there is a specific pattern of immune responses associated with asthma. This could lead to developing new mechanisms to predict asthma and new therapeutic targets.

The Company is also commercialising new improved versions of its "Oraline®" hand held multi drug test device. Sun Biomedical is currently developing Oraline®4 and dual-strip Oraline®6 tests.

For more information about Sun Biomedical visit its corporate website at www.sunbiomed.com.au

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Sun Biomedical Limited

ABN

18 001 285 230

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) staff costs	-	-
(b) business development	-	(26)
(c) research and development	(41)	(173)
(d) commercialisation	(9)	(17)
(e) other working capital	(98)	(145)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	66	73
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(82)	(288)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(82)	(288)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(6)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	12	12
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Payment for term deposit	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	12	6
1.14 Total operating and investing cash flows	(70)	(282)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	825
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (share issue costs)	-	(49)
Net financing cash flows	-	776
Net increase (decrease) in cash held	(70)	494
1.21 Cash at beginning of quarter/year to date	1,743	1,179
1.22 Exchange rate adjustments to item 1.21	-	-
1.23 Cash at end of quarter	1,673	1,673

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	67
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors' fees, salaries including superannuation benefits and corporate secretarial fees. All payments are on normal commercial terms.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	62	62
4.2	Deposits at call	1,611	1,681
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		1,673	1,743

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 January 2015

Print name: Anton Uvarov
(*Director*)

Notes`

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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