ASX Company Announcement

28 February 2008

Investor Update

The Directors of Sun Biomedical Limited (ASX: SBN or the Company) wish to provide the following update to investors in relation to SBN's operations.

1. SBN's current financial performance

The Board released the results for the six months ended 31 December 2007. In addition the Board has provided comment on the current operating performance of SBN.

SBN's monthly sales revenue for the period to 30 June 2008 is forecast to be approximately A$100k per month. This figure excludes any contribution from Bioscreens and China (refer separate announcements) and the relaunch of the Visualine products all of which are expected in the second half of calendar 2008.

The monthly sales level required for SBN to operate at cash flow breakeven is around A$180k. This would cover all the operating expenses of SBN's 100% owned US subsidiary, Sun Biomedical Laboratories Inc. ("SBL"), the overheads of the Australian holding company but does not include the cost of continued product development, FDA 510K accreditation and any capital expenditure required to improve SBL's current production capacity.

The capacity of the business to achieve positive operating cashflow will depend on the timing and quantum of the contribution from Bioscreens and China (refer separate announcements) and the relaunch of the Visualine products all of which are expected in the second half of calendar 2008.

SBN is forecasting a cash balance of around $500,000 as at 28 February 2008.

The Board expects that shareholders will be offered the opportunity during the quarter ending 30 June 2008 to fund the continued development of SBN's business opportunities in the USA and China.

The Board will keep the market informed on a quarterly basis as to the performance of SBN.

2. SBN's sales initiatives

a) Bioscreens

As announced on 13 February 2008, SBL has entered into an agreement with BioScreens Inc. for the joint development of a new urine drug screening device. SBL will develop and manufacture the drugs of abuse assay membranes whilst BioScreens will manufacture the collection device and manage the marketing and distribution of the final product.

SBL is currently in the process of refining its existing membrane product for the new multi-drug cup design whilst BioScreens are seeking quotes for the manufacture of the plastic collection devices both in the US and China. The finished product is expected to be ready for launch into the US workplace testing market in quarter ending 30 September 2008.

b) Visualine

SBN has identified the opportunity to increase sales of the Visualine product by lowering the cost of manufacture by outsourcing the assembly of the product and allowing the product to be competitively priced. Sales of Visualine products are currently less than USD10,000 per month due to the relatively high cost of manufacture.

SBN management expects that the relaunch of the Visualine product will occur in the June 2008 quarter following a reduction in manufacturing costs and the product selling price.

c) Mexico

SBN advised in August 2007 that a certificate of exportability was issued by the U.S. Food and Drug Administration (FDA). This certificate accompanied the application to the Mexican Government for approval to market Oraline IV. The Mexican government has sought assurance from the FDA that saliva devices are fit for purpose. As there are no 510(k) cleared saliva drugs of abuse testing devices, SBL through its distribution partner, Express Diagnostics, has been working with Mexican regulatory officials in order to provide them with a level of comfort regarding the performance of our product in the absence of any US regulatory clearance. SBL has provided supporting documentation regarding FDA regulations for forensic use and SBL CE marking documentation and an initial purchase of 2,000 units has been shipped to Mexico.

SBN is unable to make any prediction regarding the outcome of the Mexican authorities determination about the program and how, if and when it might expand beyond the initial pilot test of 2,000 units.

d) Russia

As advised on 13 February 2008, SBL has signed an exclusive marketing and distribution agreement with MediNat for the marketing and distribution of OraLine IV through MediNat's subsidiary in Russia.

Under the terms of the agreement, MediNat is responsible for obtaining regulatory approval for the marketing of OraLine IV in Russia. The Russian regulatory authorities have their own regulatory process that is independent of the European CE Mark system. The parties do not expect that additional clinical studies will be required in order to achieve registration with the Russian regulatory agencies and hence it is anticipated that approval can be obtained within 8 months.

The agreement is exclusive for a period of three years with a three year renewal period based on the successful attainment of minimum sales volumes following realisation of regulatory approval. Under the agreement, the minimum annual sales volumes are as follows:

Year	Estimated Sales
1	$60,000
2	$240,000
3	$300,000

e) China

As announced on 12 December 2007, a co-operation agreement was signed with Shanghai SiYi Biotechnology Co. Ltd (SiYi). SBN is currently in Stage 1 of the agreement. Milestones to date are:

- The Company has received an initial order from SiYi for product to conduct trials across 15 cities;
- The Company is providing educational support to ensure correct use of the product in the selected trial sites;

- The results of these trials will be collated and submitted with the registration documentation to the relevant government authority; and

- SiYi have selected a suitable manufacturing facility and will shortly commence facility planning and installation.

3. Legal and regulatory matters

a) Avitar

Avitar and SBN continue to discussion the terms of a possible settlement of SBN's patent infringement claim against Avitar.

b) FDA update

a) *Oraline IV*

SBL is considering its plans to resolve the timelines and issues regarding the initial submission. It has received supporting advice and guidance from SBL's FDA reviewer offering assistance in the investigational device exemptions (IDE) process. The key issue is the FDA's requirement for additional clinical data to supplement and support the laboratory tests already conducted by SBN to demonstrate the efficacy of the Oraline device.

The FDA has recommended that SBL lodges a pre-IDE submission to obtain FDA feedback on the proposed study design before embarking upon the new study. SBL is in the process of determining the exact requirements of this submission and will provide further advice to investors on the expected timelines when all the required information has been obtained

At this stage, SBL believes that the completion of the study should be postponed until the 1st half of calendar 2009 after preliminary trials have demonstrated the consistency and efficacy of the saliva tests. In the interim, sales in the US will continue to be for "forensic use only" and to international customers. The 2008 sales forecast has been adjusted to reflect this timeline for FDA approval.

b) *Visualine*

SBL received a deficiency letter from the FDA in relation to its 510k submission for Visualine. SBL has met with the FDA and guidance has been obtained regarding the additional clinical studies required in order to achieve clearance. SBL has obtained a quote for sourcing and testing of the necessary urine samples for these studies. In the meantime, SBL remains able to market the Visualine products. within the USA.

c) FDA Inspections

SBL has made the required adjustments to its Quality Systems and documentation to correct the deficiencies identified by the FDA in its warning letter of April 12, 2007. SBL has contacted the FDA and invited them to return to conduct an audit of SBL's quality systems in order to satisfy themselves that the required changes have been properly addressed. SBL expects that this will be conducted in the near future.

4. Shockrounds

As stated previously, the focus of SBN is the development of SBL. The Board remains open to approaches from interested parties to fund the development of the Shockrounds technology without any material financial commitment from SBN shareholders.

5. SBN Capital Requirements

The Board is currently reassessing the capital requirements of SBN in light of the following recent events:

a) The rejection of the 510K application for the Oraline IV product and the additional work required to complete this submission. SBN's initial estimate of this cost is in the region of $300,000;

b) Capital expenditure to increase production capacity of membranes of between $400,000 to $500,000 during the year ending 30 June 2009;

c) The deficiency letter received from the FDA in relation to the Visualine 510k submission and the need to conduct additional studies at an estimated cost of $85,000;

d) The proposed appointment additional laboratory and sales staff in the SBL operations;

e) The ongoing operating cashflow shortfall from the base SBL business;

f) The payment of accrued remuneration owing to Mr Brian Andrews and Mr Andrew Paice in February 2008 of $130,000 following the closure of the Melbourne office;

g) The commercialisation of the Oraline 8 product.

h) Repayment of the outstanding deferred consideration owing on the purchase of SBL in 2006

The Board expects that shareholders will be offered the opportunity during the quarter ending 30 June 2008 to fund the continued development of SBN's business opportunities, principally in the USA and China.

Appendix 1 provides the detail of the application of funds raised by SBN during the 14 month ending 28 February 2008.

6. Investor Communications

a) Website

SBN's website is in the process of being upgraded and is expected to be launched in March 2008.

b) Registered office

The registered office of SBN is now as follows:

C/o. TressCox Lawyers
Level 9
469 LaTrobe Street
Melbourne 3000

c) Electronic communication

The new telephone no. and email address for SBN c/o. Computershare Investor services is as follows:

Computershare line: Investor queries (within Australia) 1300 850 505

Facsimile: 613 9473 2500

Email address: webqueries@computershare.com.au

Web address: www.computershare.com

d) Fax and mailing address

All written investor communication should be addressed to:

Sun Biomedical Limited
C/o. Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Vic. 3001

For further information in relation to this announcement or any aspects of SBN operations please contact:

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Director

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Appendix 1

SBN

Sources and Application of Funds

Fourteen months ending 28 February 2008

The following table details the cash resources of SBN have been expended during the past 14 months:

Sources	**AUD**	**Applications of funds**	**AUD**
		Australian head office costs	
		Staffing	751,005
		Costs of maintaining ASX listed company (1)	510,999
		Other costs (1)	331,211
			1,593,215
		SBL business	
		SBL Legal and regulatory matters (1):	
		Patent dispute with Avitar	177,761
		FDA Citation and FDA Lodgement Costs	255,832
			433,593
		China development (1)	109,000
		USA SBL net trading loss	728,374
Net Capital raised		SBL operating loss	1,270,967
Capital raised	4,193,036		
		Scheduled repayment of deferred Sun Biomedical Laboratories Inc. purchase price	592,470
Less capital raising costs	383,264		
	3,809,772		3,456,652
Cash on hand at 1 January 2007	166,206	Forecast cash on hand as at 28 February 2008	519,326
Total Sources	**3,975,978**	**Total Applications**	**3,975,978**

Notes

(1) these are 3rd party costs and do not include the cost of SBN executive time in managing these issues

Please note that the fees payable by the directors on the Board during the 14 months ending 28 February 2008 were:

Name	Date appointed	Date of resignation	Role	Directors Remuneration	Other services
				$	$
Peter King	24 February 2005	Current	Non-executive chairman	47	Nil
Jim Hallam	24 Oct 2007	Current	Non-executive director	6	Nil
Andrew Paice	5 June 2006	Current	Chief Financial Officer	292	Nil
Brian Andrews	5 June 2006	22 Feb 2008	Managing Director	292	Nil
Peter Boonen	26 February 2004	20 June 2007	Non-executive director	5	Nil
Peter Bartleet	20 August 2005	20 June 2007	Non-executive director	5	Nil