SUN Biomedical Limited

2 July 2008

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Dear Optionholder

Renounceable Rights Issue – Information for Optionholders

On 26 June 2008, Sun Biomedical Limited (*the Company*) announced to ASX that it was to undertake a renounceable Rights Issue of New Ordinary Shares and Options (*Securities*) to Eligible Shareholders.

Renounceable Rights Issue

It is proposed that up to:

(a) 317,896,310 New Ordinary Shares will be issued at a price of $0.01 per New Ordinary Share on the basis to acquire four (4) New Ordinary Shares for every five (5) Shares held at the Record Date; together with

(b) 158,948,155 free attaching Options with an exercise price of $0.02 expiring 30 November 2010 on the basis of one (1) Option for every two (2) New Ordinary Shares subscribed for.

This Offer is underwritten by Patersons Securities Limited up to the Minimum Subscription amount of $2,000,000 provided the Company raises a minimum of $500,000 from Shareholders and the public through the Rights Issue and the Public Offer.

The table below summarises the current commitments that the Company has received:

		$
A	Commitments from sub-underwriters and current Shareholders:	1,500,000
B	Minimum amount to be raised through Rights Issue from other than those persons under A:	500,000
	Minimum Subscription amount required by Company:	2,000,000
	Amount converted to equity by Dr Ming and Alice Sun under restructure of Promissory Note (assuming an AUD/USD exchange rate of 0.95). This amount is not included under the $2,000,000 to be raised under the Rights Issue:	516,000
	Total Equity Raised:	**2,516,000**

Support of Major Shareholders

The Board is pleased that the major Shareholders of the Company have demonstrated their confidence in the future of the Company and have committed the following amounts to the Rights Issue:

(a) Log Creek Pty Ltd – up to $666,667;

(b) a Director of the Company, Mr Andrew Paice has committed in writing to taking up his full Entitlement under the Rights Issue of $40,930; and

(c) Dr Ming and Alice Sun have agreed to convert the equivalent of US$490,000 into Shares to be issued in accordance with the terms of the restructure of the payment of US$980,000 under the Promissory Note.

Future Opportunities

The Board believes that the Company is well positioned to take advantage of a number of opportunities which it anticipates will materially improve its financial performance during the year ending 2009.

Since February 2008 the Board has taken the following steps to position the Company for future growth:

(a) the appointment of Jack Kerins as chief executive of Sun Biomedical Laboratories, Inc (*SBL*);

(b) rationalisation of the Company's cost structure by focusing on the Company's operations in the United States. This has involved the resignation of senior management in Australia and a reduction in operating costs of approximately $500,000 per annum;

(c) the focus on materially improving sales of OraLine through distributors in the United States and internationally;

(d) the continued development of the Chinese joint venture with SiYi to supply OraLine to the China Ministry of Public Security;

(e) the focus on new product development including OraLine VIII and the BioScreens Cup;

(f) the restructure of the US$980,000 owing to Dr Ming and Alice Sun as summarised below; and

(g) the implementation of stronger financial controls in relation to management of working capital and project development expenditure.

Agreement with Dr Ming and Alice Sun

The Company is also pleased to advise that it has reached an agreement with Dr Ming and Alice Sun, the founders of SBL, in relation to payment of US$980,000 as final consideration for the acquisition of SBL. The Suns have 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. The Options will have the same terms as the Options to be issued under the Prospectus. The Options will have the same terms as the Options to be issued under the Prospectus; 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) is conditional upon the Company achieving the Minimum Subscription amount of $2,000,000.

Dr Sun is actively involved in both the China and OraLine VIII projects and remains committed to the success of the Company.

Use of Funds

The proceeds of this Rights Issue will be applied, inter alia, as follows:

(a) the payment of amounts owing in relation to the Company's acquisition of SBL;

(b) the commercialisation of the Chinese joint venture with SiYi, including the capital expenditure required to increase the production capacity at the existing plant to accommodate a higher volume of sales;

(c) the development of the BioScreens Cup and the cost of attaining FDA 510(k) Clearance for point-of-care sale of the VisuaLine product;

(d) the development and marketing of OraLine VIII;

(e) developing SBL's compliance with Good Manufacturing Practices; and

(f) working capital to support the ongoing business activities of the Company.

Applications

In the event this Rights Issue is not fully subscribed, the Directors have determined to offer Eligible Shareholders and members of the public the right to apply for Shortfall Securities arising out of any shortfall.

The Entitlement and Acceptance Form is located at the back of the Prospectus. Eligible Shareholders must complete the Entitlement and Acceptance Form in order to take up their Entitlements and to apply for Shortfall Securities. Entitlement and Acceptance Forms must be properly completed and received by the Company's Share Registry no later than 5.00pm (Australian Eastern Standard Time) on 6 August 2008 in order for Applicants to be issued Securities and Shortfall Securities.

Members of the public may also apply for Shortfall Securities by completing the Application Form. Application Forms must also be properly completed and received by the Company's Share Registry no later than 5.00pm (Australian Eastern Standard Time) on 6 August 2008 in order for members of the public who apply for Shortfall Securities to be issued Shortfall Securities.

Optionholders will not be given the opportunity to participate in the Rights Issue unless they exercise their Options prior to the Record Date, being 9 July 2008.

Quotation

New Ordinary Shares issued under the Prospectus will rank equally with the Company's existing Shares.

The Company has applied to ASX for quotation of the New Ordinary Shares on the Official List of the ASX. The Company will also use its best endeavours to obtain quotation of the Options on the Official List of the ASX. If approval is not granted by ASX within 3 months after the date of the Prospectus, the Company will not issue any Securities and will repay all Application monies without interest.

Enquiries

If you have any questions regarding this renounceable Rights Issue, please telephone the Company's Share Registry, Computershare Investor Services Pty Limited, on 1 300 728 275 (within Australia) or +61 3 9946 4451 (outside Australia).

The Directors recommend this renounceable Rights Issue to you.

Yours sincerely

Mr. Peter King
Chairman

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Sun Biomedical Limited Renounceable Rights Issue - Information sheet

The following information is provided to Shareholders in accordance with the ASX Listing Rules. Full details of the Offer are contained in the Prospectus which will be sent to Eligible Shareholders on or about 15 July 2008.

If you are an International Shareholder or an Optionholder, you may not apply for Securities under the Rights Issue and this information is provided to you for informational purposes only.

Is security holder approval required?	No.
Is the issue renounceable or non-renounceable?	Renounceable.
Ratio in which the +securities will be offered	1. 4 New Ordinary Shares for every 5 Shares held at 7.00pm AEST time on the Record Date; together with 2. 1 Option for every 2 New Ordinary Shares applied for.
+Class of +securities issued or to be issued	1. Ordinary Shares. 2. Options.
Number of +securities issued or to be issued (if known) or maximum number which may be issued	1. 317,896,310 Ordinary Shares. 2. 158,948,155 Options.
Do the +securities rank equally in all respects from the date of allotment with an existing class of securities	Yes.
+Record date to determine entitlements	7.00pm AEST time on 9 July 2008.
Policy for deciding entitlements in relation to fractions	1 and 2. Fractional entitlements will be rounded up.
Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	British Virgin Islands Canada Hong Kong Mauritius Netherlands South Africa Switzerland United Arab Emirates United Kingdom United States of America
Closing date for receipt of acceptances or renunciations	5.00pm AEST time on 6 August 2008.
Name of any underwriters	Patersons Securities Limited.
Amount of any underwriting fee or commission	An underwriting commission equal to: (a) 5% of the underwritten amount (with the Minimum Subscription equal to $2,000,000); (b) a management fee of 1% of the total funds raised by the company pursuant to the Offer; and (c) a Corporate Advisory fee of $60,000.
Names of any brokers to the issue	Not applicable.
Fee or commission payable to the broker to the issue	Not applicable.
Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable.
Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	15 July 2008.
If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
Despatch date	14 August 2008.