SUN BIOMEDICAL LIMITED
ABN 18 001 285 230
PRELIMINARY FINAL REPORT
APPENDIX 4E
FINANCIAL YEAR ENDED 30 JUNE 2008

1. Details of the reporting period

Reporting period	Previous corresponding period
30 June 2008	30 June 2007

2. Results for announcement to the market

					$
2.1	Revenues from ordinary activities	up	17%	to	798,440
2.2	Loss from ordinary activities before income tax	up	47%	to	(3,557,390)
2.3	Net loss attributable to members of the parent entity	up	47%	To	(3,557,390)

2.4 Dividends/Distributions

No dividends declared in current or prior year

2.5 Record date for determining entitlements to dividends N/A

2.6 Refer point 14 below for explanation of figures in 2.1 to 2.4 above

3. Statement of Financial Performance

Refer attached financial statements.

4. Statement of Financial Position

Refer attached financial statements.

5. Statement of Cash Flows

Refer attached financial statements.

6. Details of dividends or distributions

N/A

7. Details of dividend reinvestment plan

N/A

8. Statement of Retained Earnings

Refer attached financial statements.

9. Net tangible assets per security

	2008	2007
Net tangible assets per ordinary share	(0.002)	(0.010)

10. Details of entities over which control has been gained or lost during the period

N/A

11. Details of associates and joint venture entities

N/A

12. Other significant information

Refer point 14 below.

13. Accounting standards used by foreign entities

N/A

14. Commentary on results and explanatory information

The consolidated loss for the 12 month period ended 30 June 2008 was $3,557,390 compared to a loss of $2,421,660 for the previous 12 months ended 30 June 2007.

The loss of $3,557,390 was split between the Australian based legal operating entity of $2,554,020 and the loss incurred in the US based drug screening segment of $1,003,370. Revenues from the drug screening segment comprised $755,562 or 95% of total revenues from continuing operations for the year.

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; and
- United States – comprises operations for the manufacture and development of the company's products.

The major component of the loss is the amortisation and impairment of the Sun Biomedical Laboratories intellectual property and patents of $1,542,292 which includes a write down of $1,000,000 in the carrying value of the patents covering the VisuaLine and OraLine products. This is discussed in further detail below.

The accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

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Some of the key features of the year ended 30 June 2008 include:

- The appointment of Jack Kerins as chief executive of Sun Biomedical Laboratories, Inc. (*SBL*);

- The rationalization of Sun Biomedical Limited's (*SBN or the Company*) cost structure by focusing on the Company's operations in the United States. This involved the resignation of senior management in Australia and a reduction in operating costs of approximately $500,000 per annum. This is reflected in lower level of cash operating expenses in the second half of the year of $1,222,439 compared to $1,631,194 in the first half of the year;

- The execution of a joint venture agreement with Shanghai SiYi Biotechnology Co. Limited, a China based company, for the assembly and sale of OraLine products for use by the Ministry of Public Security and future non-governmental Chinese customers;

- The signing of an agreement with BioScreens, Inc. to develop a quality, low cost urine testing cup;

- Sales to the Mexican government for the use in a pilot testing program for the proposed implementation of drug testing in schools;

- The execution of an exclusive marketing and distribution agreement with MediNat for the supply of OraLine in Russia;

- The completion of successful capital raisings in August 2007, December 2007 and January 2008 through which the Company raised a total of $3,496,418 (before issue costs of $508,098);

- In March 2008, the Company entered into a deed of settlement in relation to the claim against Avitar Technologies, Inc. Although no cash consideration was involved under the settlement, the Directors believe that the outcome of this settlement was positive for the Company as, under the terms of the settlement, Avitar acknowledged the validity of the Company's patents;

- The restructure of the amount owing to Dr Ming and Alice Sun, the founders of SBL, in relation to the payment of US$980,000 as final consideration for the acquisition SBL in August 2006. This is discussed in further detail below; and

- On 26 June 2008 the Company advised that it had lodged a prospectus with ASIC to raise a minimum amount of $2,000,000 by way of an underwritten Renounceable Rights Issue of four New Ordinary Shares for every five Shares held at a price of $0.01 plus one free attaching Option for every two New Ordinary Shares subscribed for. The Rights Issue was completed and securities were allotted on 14 August 2008. In addition, the company has raised an additional $644,748 via the placement of Shortfall Securities bringing the total raising to $2.645m.

The table below summarizes the application of the monies raised:

Sources of funds	**$m**
Rights Issue	2.000
Shortfall Placement	0.645
	2.645
Conversion of Ming Sun promissory note in ordinary shares[1]	0.550
Cash on hand at 31 July 2008	0.070
Total sources	**3.265**
Applications of funds	
Fees payable to underwriters including amounts payable to sub underwriters and broker placements	0.226
Capital raising costs (including legal, accounting, ASX, registry)	0.144
Repayment of Ming Sun promissory note (including equity conversion)[1]	1.114
Total applications	**1.484**
Net cash available to fund business initiatives & working capital	**1.781**

Note 1: Assumes AUD/USD exchange rate of 0.88

Agreement with Ming and Alice Sun

In June 2008, the Company 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 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 USD $490,000 will be made shortly.

An update on the current status of the Company's key sales initiatives is attached as Attachment 1 to this report. We note that many of the discussions that the Company is having with its current and potential customers are commercial in confidence and hence details cannot be disclosed until a firm agreement or outcome has been achieved.

Impairment of Intangibles

The loss for the year includes a write down of $1,000,000 in the carrying value of the patents covering the VisuaLine and OraLine products following a value in use valuation. This has arisen as a result of the following:

- The value in use model incorporates cash flows for a period of five years as per the accounting standards. In a growth business such as SBN, forecast cash flows anticipated in the years 6 and 7 have a significant impact on the value of the business but are excluded from the calculations. We note that the patents are registered for a period of 20 years from the filing date as shown in the table below:

Patent no.	Description	Filing date
6,046,058	Colour Coded Test Strip	November 1998
5,962,336	Multi-Test Panels	October 1997
6,372,516	Lateral Flow Devices	September 2000
7,041,253	Sample Collection and Test Device	July 2003
7,300,627	Test Sample Collection System	July 2002

- The lack of price competitiveness of the VisuaLine product and the reduction in product sales that have arisen from this. The original cost of the patents included the VisuaLine and OraLine patents. This year, SBN has focused almost exclusively on promoting OraLine sales as this is where it believes the greatest growth potential exists; and

- The Accounting Standards require that future cash flows from business initiatives which are still to be finalised, should not be included in forecasts for the purposes of impairment testing. In order to comply with these Standards, the Company has excluded a number of key sales initiatives from its forecasts, such as China and Mexico, as the realisation of these opportunities is still dependent upon the attainment of certain governmental approvals. The status of these approvals is outlined in Attachment 1. Consequently, SBN does not believe that the write down in the value of the patents is either an accurate reflection of the future profitability of the business nor does it represent a valuation of the Company.

Top 20 Shareholders

A list of the top 20 shareholders in the Company as at 27 August 2008 is also announced with this report. The Company will publish this list on a monthly basis in order to provide shareholders with the opportunity to see movements in major shareholders' accounts.

15. Audit

The report is based on accounts which are currently being audited.

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ATTACHMENT 1- UPDATE ON STATUS OF CURRENT KEY SALES INITIATIVES

	Opportunity	Distribution Partner	Distribution Agreement Signed?	Sales Commenced?	Current Status
1.	Sales of Oraline to Chinese Ministry of Public Security (MPS)	Shanghai Si Yi Biotechnology Co. Ltd	Yes	No	MPS and SBL are in the process of finalising the results of the MPS product evaluation. A final decision is still expected in October 2008 prior to commencing field trials. .
2.	Development of new urine testing cup	BioScreens, Inc.	Yes	No	Cup and mould production is proceeding on schedule and cup delivery is still expected in December.
3.	VisuaLine relaunch	N/A	N/A	No	Project is progressing in conjunction with the BioScreens initiative. No change to status.
4.	Development of OraLine VIII	Sales to be made through existing Oraline distribution network	N/A	No	Specifications for OraLine VIII housing have been finalised and drawings for use by the plastic mould manufacturers are being prepared. The product launch is now expected to occur at the Medica Show in November 2008 rather than October 2008.
5.	Drug testing in Mexican schools	Express Diagnostics	No	Small number of units for test program	Discussions are continuing with Mexican authorities regarding import approval certification. Mexican authorities have approved extended testing within schools but have not as yet appointed a preferred provider.
6.	Sales of OraLine in Russia	MediNat	Yes	No	Russian registration for point of care and over the counter sales has been obtained.
7.	Australian workplace drug testing	CMM	Yes	Yes	SBL is working with CMM on determining the required changes to OraLine in order to comply with Australian Standards to broaden the range of potential customers.

Opportunity	Distribution Partner	Distribution Agreement Signed?	Sales Commenced?	Current Status
8. Expansion of US distribution network	Various	Yes	Yes	A sales manager has been recruited and work continues on growing the US distributor network.
9. Marketing and distribution of drug residue testing product (ProbeLine)	Paradigm Visions Inc.	No	No	SBL is working on the assembly of 2,000 test kits for market testing in September 2008. A final determination on the potential of the product will be made at the conclusion of this campaign.

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CONSOLIDATED INCOME STATEMENT

	2008 A$'000	2007 A$'000
Revenue from continuing operations - ***refer Note 1 below***	***798,440***	***679,832***
Other income - ***refer Note 2***	***147,176***	***115,051***
Expenses - ***refer Note 3***	***(4,503,006)***	***(3,160,489)***
Finance costs - ***refer Note 4 below***	-	***(56,054)***
Profit(Loss) before income tax	(3,557,390)	(2,421,660)
Income tax expense	-	-
Profit(Loss) for the period from continuing operations	(3,557,390)	(2,421,660)
Profit(Loss) for the year	(3,557,390)	(2,421,660)
Profit(loss) for the period attributable to members	(3,557,390)	(2,421,660)
Basic Earnings Per Share	(0.7) cents	(1.8) cents
Diluted Earnings Per Share	(0.7) cents	(1.8) cents

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1
Revenue from continuing operations

	2008 A$'000	2007 A$'000
Revenue from Sales	***755,562***	***655,992***
Interest Revenue	***41,483***	***23,839***
Other Revenue	***1,395***	***1***
	798,440	679,832

Note 2
Other income

	2008 A$'000	2007 A$'000
Unrealised foreign exchange gain	***147,176***	***115,051***
	147,176	115,051

Note 3
Expenses

	2008 A$'000	2007 A$'000
Operating expenses		
Employee expenses	***995,777***	***1,202,834***
Raw materials and consumables used	***314,815***	***109,773***
Consulting fees	***189,360***	***65,283***
Legal fees	***237,182***	***-***
Administration expenses	***883,723***	***460,870***
Travel and accommodation	***121,881***	***98,313***
Insurance	***44,770***	***19,342***
Advertising and marketing expense	***60,229***	***334,117***
Loss on disposal of investment	***5,896***	***3,765***
Development expense - ShockRounds	***-***	***115,287***
Development expense - Sun Biomedical	***-***	***17,471***
Other	***-***	***3,056***
Total operating expenses	***2,853,633***	***2,430,111***
Non cash items		
Equity based payments	***102,783***	***248,926***
Impairment write down	***1,000,000***	***-***
Depreciation and amortisation expense (including intangibles)	***546,590***	***481,452***
	4,503,006	3,160,489

Note 4
Individually Significant Items

	2008 A$'000	2007 A$'000
Finance costs	*-*	*56,054*
	-	56,054

Note 5
Amortisation and Impairment Expenses

	Consolidated - Current period			
	Before tax A$'000	Related tax A$'000	Related outside equity interests A$'000	Amount (after tax) attributable to members A$'000
Amortisation of intangibles	*542,292*	*-*	*-*	*542,292*
Total amortisation of intangibles	542,292	-	-	542,292
Impairment of other intangibles	*1,000,000*	*-*	*-*	*1,000,000*
Total impairment write-downs	1,000,000	-	-	1,000,000

Note 6
Comparison of Half-Year Profits

	2008 A$'000	2007 A$'000
Consolidated profit(loss) after tax attributable to members reported for the 1st half yearly report	*(1,543,017)*	*(1,349,873)*
Consolidated profit(loss) after tax attributable to members for the 2nd half year	*(2,014,373)*	*(1,071,787)*

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CONSOLIDATED BALANCE SHEET

	2008 A$'000	2007 A$'000
Current Assets		
Cash and cash equivalents	*118,224*	*446,334*
Trade and other receivables	*119,134*	*200,959*
Inventories	*210,096*	*83,110*
Total Current Assets	**447,454**	**730,403**
Non-Current Assets		
Property, plant and equipment	*16,988*	*17,010*
Intangible assets	*1,832,409*	*3,324,116*
Total Non-Current Assets	**1,849,397**	**3,341,126**
TOTAL ASSETS	**2,296,851**	**4,071,529**

Current Liabilities		
Trade and other payables	*422,371*	*546,663*
Borrowings	*-*	*478,310*
Promissory note	*1,018,076*	*472,981*
Total Current Liabilities	**1,440,447**	**1,497,954**
Non-Current Liabilities		
Promissory note	*-*	*1,158,803*
Total Non-Current Liabilities	**-**	**1,158,803**
TOTAL LIABILITIES	**1,440,447**	**2,656,757**
NET ASSETS	**856,404**	**1,414,772**

Equity		
Contributed equity	*24,331,668*	*21,300,481*
Reserves	*28,398*	*240,238*
Accumulated losses	*(23,503,662)*	*(20,125,947)*
Total Equity	**856,404**	**1,414,772**

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NOTES TO THE CONSOLIDATED BALANCE SHEET

Consolidated Retained Earnings

	Current Period A$'000	Previous corresponding period A$'000
Accumulated losses at the beginning of the financial period	*(20,125,946)*	*(18,316,123)*
Tranfers to/(from) reserves	*179,675*	*611,837*
Net profit (loss) attributable to members	*(3,557,390)*	*(2,421,660)*
Retained Earnings at the end of the financial period	*(23,503,661)*	*(20,125,946)*

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CONSOLIDATED CASH FLOW STATEMENT

	2008 A$'000	2007 A$'000
Cash flows related to operating activities		
Receipts from customers	*822,882*	*620,341*
Payments to suppliers and employees	*(3,206,309)*	*(2,244,868)*
Interest and other items of a similar nature received	*41,483*	*23,838*
Interest and other costs of finance paid	-	*(56,054)*
Other	*1,395*	*1*
Net operating cash flows	(2,340,549)	(1,656,742)
Cash flows related to investing activities	-	
Proceeds from sale of investments	*30,000*	*41,897*
Payments for purchases of property, plant and equipment	*(60,758)*	-
Payment for acquisition of Sun Biomedical Laboratories Inc. acquisition	*(466,813)*	*(390,853)*
Payment for equity investments	-	*(48,155)*
Net investing cash flows	*(497,571)*	*(397,111)*

Cash flows related to financing activities		
Proceeds from issues of shares	*3,496,418*	*945,500*
Proceeds from/(Repayment) of borrowings	*(478,310)*	*478,310*
Share issue costs	*(508,098)*	*(46,721)*
Net financing cash flows	2,510,010	1,377,089
Net increase (decrease) in cash held	(328,110)	(676,764)
Cash at beginning of period - ***refer note below***	*446,334*	*1,124,217*
Exchange rate adjustments to cash at beginning of period	-	*(1,119)*
Cash at end of period - ***refer note below***	118,224	446,334

NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of Cash

	2008 A$'000	2007 A$'000
Cash on hand and at bank	*118,224*	*446,334*
Total cash at end of period	118,224	446,334

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	TOTAL EQUITY
As at 1 July 2006	20,243,702	(18,316,123)	765,123	1,779	2,694,481
Shares issued during the year	1,103,500	-	-	-	1,103,500
Transaction costs	(46,721)	-	-	-	(46,721)
Cost of share based payments		-	90,927	-	90,927
Transfer to (from) reserves		611,837	(611,837)	-	-
Foreign currency translation reserve differences		-	-	(5,753)	(5,753)
Total income and expense for the year recognised directly in equity		611,837	(520,910)	(5,753)	1,141,953
Loss for the year		(2,421,661)	-	-	(2,421,661)
As at 1 July 2007	21,300,481	(20,125,947)	244,213	(3,974)	1,414,772
Shares issued during the year	3,539,285	-	-	-	3,539,285
Transaction costs	(508,098)	-	-	-	(508,098)
Cost of share based payments			53,854	-	53,854
Transfer to (from) reserves		179,675	(179,675)		-
Foreign currency translation reserve differences		-	-	(86,019)	(86,019)
Total income and expense for the year recognised directly in equity		179,675	(125,821)	(86,019)	2,999,022
Loss for the year		(3,557,390)	-	-	(3,557,390)
As at 30 June 2008	24,331,668	(23,503,662)	118,392	(89,993)	856,404