

SUN BIOMEDICAL LIMITED
ABN 18 001 285 230
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

SUN BIOMEDICAL LIMITED
ABN 18 001 285 230
AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Directors

The names of directors who held office during or since the end of the half-year:

Terry Cuthbertson	Non Executive Director, Chairman
Peter Herd	Non Executive Director
Gary Stewart	Non Executive Director

Review of Operations

The Consolidated Entity loss for the six months ended 31 December 2011 was \$214,508 compared to a profit of \$23,983 for the six months ended 31 December 2010.

The company recorded a loss for the half year ended 31 December 2011 due principally to the weak performance of share markets.

During the six months ended 31 December 2011 the Consolidated Entity continued to comply with its ASX listing requirements and evaluate any new investment opportunities. Some of the key features of the half year ended 31 December 2011 include:

- On 29 July 2011 the Company entered into a Convertible Note subscription Agreement with Malachite Resources Limited (MAR) with five convertible notes being issued at a face value of \$100,000 at an interest rate of 12%. This investment will provide the Company and shareholders with a commercial return and will also provide the opportunity for SBN to investigate potential opportunities that may exist to acquire one or more projects currently owned by MAR.
- As part of the Convertible note arrangement, the Company entered into an interest bearing Margin Loan Agreement with an entity associated with a former director of MAR. In accordance with the terms of the Margin Loan Agreement, the Company advanced \$291,236 to the Borrower. The Margin Loan was secured by MAR shares. The Margin Loan has now been repaid by the Borrower, making a cash payment to the Company of \$208,794.92 and transferring to the Company 10,995,593 MAR shares at a deemed issue price of \$0.014 each.

The board is continuing to investigate and assess a number of potential investment opportunities that will provide the Company and shareholders with a commercial return.

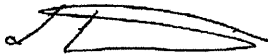
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Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is signed in accordance with a resolution of the Board of Directors.



Director

Terry Cuthbertson

Dated this 27th day of February 2012

Armstrong Partners

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

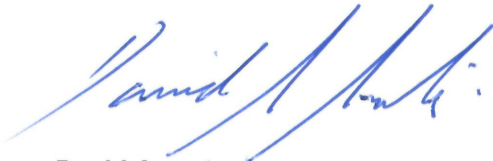
As auditor for the review of Sun Biomedical Limited for the half- year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contravention of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sun Biomedical Limited and the entities it controlled during the period.



Armstrong Partners



**David Armstrong
Partner**

Melbourne
27 February 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 \$	31 December 2010 \$
Revenues	2	6,949	312,001
Compliance and Administrative expenses		(147,487)	(201,906)
Depreciation and amortisation expenses		-	-
Finance costs		-	-
Impairment write down of investments		-	(436)
Other expenses		(73,520)	(85,675)
Profit/(Loss) before income tax		(214,058)	23,984
Income tax expense		-	-
Profit/(Loss) for the period		(214,058)	23,984
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss) attributable to Equity Holders of the Parent Company		(214,058)	23,984
		Cents per share	Cents per share
Basic and diluted earnings / (loss) per share		(0.009)	0.001

The financial statements should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	66,798	1,031,890
Trade and other receivables	59,704	137,933
Investments	1,279,018	424,000
TOTAL CURRENT ASSETS	<u>1,405,520</u>	<u>1,593,823</u>
TOTAL ASSETS	<u>1,405,520</u>	<u>1,593,823</u>
CURRENT LIABILITIES		
Trade and other payables	53,742	27,987
TOTAL CURRENT LIABILITIES	<u>53,742</u>	<u>27,987</u>
TOTAL LIABILITIES	<u>53,742</u>	<u>27,987</u>
NET ASSETS	<u>1,351,778</u>	<u>1,565,836</u>
EQUITY		
Issued capital	29,399,862	29,399,862
Reserves	-	22,600
Accumulated losses	(28,048,084)	(27,856,626)
TOTAL EQUITY	<u>1,351,778</u>	<u>1,565,836</u>

The financial statements should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2011	29,399,862	(27,856,626)	22,600	1,565,836
Total comprehensive (loss) for the period	-	(214,058)	-	(214,058)
Transfer from / (to)		22,600	(22,600)	-
Balance at 31 December 2011	29,399,862	(28,048,084)	-	1,351,778
Balance at 1 July 2010	29,399,862	(27,862,282)	22,600	1,560,180
Total comprehensive income for the period	-	23,984	-	23,984
Balance at 31 December 2010	29,399,862	(27,838,298)	22,600	1,584,164

The financial statements should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 December 2011 \$	31 December 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Commission received	2,761	60,000
Payments to suppliers and management	(185,369)	(303,840)
Dividend received	-	1,600
Interest received	19,552	20,752
Net cash (outflows) from operating activities	(163,056)	(221,488)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equity investments	90,000	81,774
Purchase of equity investments	(250,800)	(90,934)
Investment recovery	-	75,693
Proceeds from redemption of loan investments	150,000	562,138
Payments for loan investments	(791,236)	(510,304)
Net cash inflows / (outflows) from investing activities	(802,036)	118,367
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase/ (decrease) in cash held	(965,092)	(103,121)
Cash at start of period	1,031,890	1,163,996
Cash at end of period	66,798	1,060,875

The financial statements should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

The general purpose half year financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 "Interim Financial Reporting" which ensures compliance with International Accounting Standard IAS 34: "Interim financial Reporting".

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Sun Biomedical Limited and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under Australian Securities Exchange listing rules and the Corporations Act 2001, up to the date of the directors' declaration.

This interim report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the 30 June 2011 annual report, unless otherwise stated.

Note 2: REVENUE	31 December	31 December
	2011	2010
	\$	\$
Interest income	80,259	25,602
Commission received	2,510	60,000
Dividend received	-	1,600
Profit from sales of equity investments	-	65,214
Market value movements of equity investments	(75,820)	83,892
Settlement from Forest Plantation investment	-	75,693
	<u>6,949</u>	<u>312,001</u>

NOTE 3: DIVIDENDS

No dividends were declared or paid in the respective reporting periods.

NOTE 4: CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities as at 31 December 2011.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

The Margin Loan was repaid subsequent to the reporting date by the Borrower making a cash payment to the Company of \$208,794.42 and transferring 10,995,593 MAR shares to the Company at a deemed issue price of \$0.014 each.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 9 are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
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.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Terry Cuthbertson

Dated this 27th day of February 2012

Armstrong Partners

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SUN BIOMEDICAL LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Sun Biomedical Limited which comprises the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half -year ended on that date, other selected explanatory notes and the directors' declaration for the consolidated entity. The Consolidated entity comprises both Sun Biomedical Limited (the Company) and the entities it controlled at the half-year end or from time to time during the half -year.

Directors' responsibility for the half-year financial report

The directors of Sun Biomedical Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such controls as the directors determine in necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Sun Biomedical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve analysis of the prudence of business decisions made by directors or management.

Independence

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

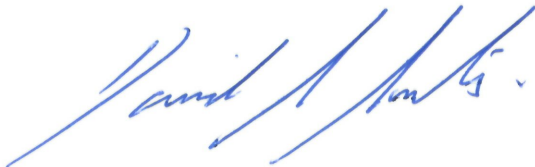
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Sun Biomedical Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.



Armstrong Partners



**David Armstrong
Partner**

Melbourne
27 February 2012