

Sunshine

Heart, Inc.

5 December 2006

The Manager
Company Announcements
Australian Stock Exchange (Sydney) Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir or Madam,

Please find following a Form 604 notifying of a change in a substantial shareholding.

Yours faithfully,

CHRIS SHAW
Assistant Company Secretary

Form 604Corporations Act 2001
Section 671B**Notice of change in interests of substantial holder**

To Company Name/Scheme Sunshine Heart, Inc

ACN/ARSN 109 440 888

1. Details of substantial holder (1)

Name Parties listed in Annexure 1

ACN/ARSN (if applicable)

There was a change in the interests of the
substantial holder on 15 November 2006

The previous notice was given to the company on

The previous notice was dated

2. Previous and present voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company or scheme, are as follows:

Class of securities (4)	Previous notice		Present notice	
	Person's votes	Voting power (5)	Person's votes	Voting power (5)
Ordinary shares (issued as CDIs) (Shares)	9,205,801	11.24%	15,872,468	9.13%

3. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (6)	Consideration given in relation to change (7)	Class and number of securities affected	Person's votes affected
15/11/2006	Three Arch Associates III L.P	Issue of Shares pursuant to the subscription agreement (copy attached). Dilution of relevant interests as a result of issue of Shares by Sunshine Heart, Inc	\$0.15 per Share	340,133	340,133
15/11/2006	Three Arch Partners III L.P	Issue of Shares pursuant to the subscription agreement (copy attached). Dilution of relevant interests as a result of issue of Shares by Sunshine Heart,	\$0.15 per Share	6,326,534	6,326,534

		Inc			
15/11/2005	Three Arch Management III L.L.C	Issue of Shares to Three Arch Associates III L.P and Three Arch Partners III L.P pursuant to the subscription agreement (copy attached). Dilution of relevant interests as a result of issue of Shares by Sunshine Heart, Inc	N/A	6,666,667	6,666,667
15/11/2006	Persons listed in Annexure 2	Issue of Shares to Three Arch Associates III L.P and Three Arch Partners III L.P pursuant to the subscription agreement (copy attached). Dilution of relevant interests as a result of issue of Shares by Sunshine Heart, Inc	N/A	6,666,667	6,666,667

4. Present relevant interests

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Nature of relevant interest (6)	Class and number of securities	Person's votes
Three Arch Associates III L.P	Three Arch Associates III L.P	Three Arch Associates III L.P	Holder of Shares	809,816	809,816
Three Arch Partners III L.P	Three Arch Partners III L.P	Three Arch Partners III L.P	Holder of Shares	15,062,652	15,062,652
Three Arch Management III L.L.C	Three Arch Associates III L.P & Three Arch Partners III L.P	Three Arch Associates III L.P & Three Arch Partners III L.P	Three Arch Management III L.L.C has a relevant interest in the Shares held by Three Arch Associates III L.P and Three Arch Partners III L.P, by virtue of being the general partner of these entities	15,872,468	15,872,468
Persons listed in Annexure 2	Three Arch Associates III L.P & Three Arch Partners III L.P	Three Arch Associates III L.P & Three Arch Partners III L.P	Persons listed in Annexure 2 have a relevant interest in the Shares held by Three Arch Associates III L.P and Three Arch Partners III L.P, by virtue of	15,872,468	15,872,468

			controlling Three Arch Management III L.L.C.		
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5. Changes in association

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
N/A	

6. Addresses

The addresses of persons named in this form are as follows:

Name	Address
See Annexure 1	

Signature

print name Richard Lin capacity Director

sign here  date 1 / 12 / 2006

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 6 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in section 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (6) Include details of:
 - (a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (7) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.

Annexure 1 - Details of substantial holders and addresses of people named in the form

Name	Address
Three Arch Associates III L.P	3200 Alpine Road Portola Valley, CA 94028
Three Arch Partners III L.P	3200 Alpine Road Portola Valley, CA 94028
Three Arch Management III L.L.C	3200 Alpine Road Portola Valley, CA 94028
Richard Lin	3200 Alpine Road Portola Valley, CA 94028
Mark Wan	3200 Alpine Road Portola Valley, CA 94028
Wilfred Jaeger	3200 Alpine Road Portola Valley, CA 94028
William Harrington	3200 Alpine Road Portola Valley, CA 94028
Michael Kaplan	3200 Alpine Road Portola Valley, CA 94028
Barclay Nicholson	3200 Alpine Road Portola Valley, CA 94028

Annexure 2 - Holders of relevant interests

Name
Richard Lin
Mark Wan
Wilfred Jaeger
William Harrington
Michael Kaplan
Barclay Nicholson