



20 October 2006

To: Australian Stock Exchange  
Companies Announcements Office

**ASX Announcement – EGM Presentation**

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Please find below a copy of the Chairman's presentation to shareholders at the Sunshine Heart, Inc (SHC) Extraordinary General Meeting, held today at 10 am.

**PRESENTATION BY MALCOLM McCOMAS, CHAIRMAN**

Sunshine Heart, Inc. has recently undertaken a \$20 million capital raising which received solid institutional support both from existing and new investors. This capital raising is the subject of resolutions 1 and 2 today.

The Independent Directors - being myself, Mr Donal O'Dwyer, Mr Donald Rohrbaugh and Dr William Peters - unanimously recommend that security holders vote in favour of the capital raising.

The institutional support for the capital raising was strong, in particular, from new investor CM Capital Investments and a follow on investment from GBS Venture Partners. In aggregate they will initially invest \$9.0 million and a further \$6.0 million - a total of \$15 million - if certain capital raising conditions are satisfied. Both of these investors carry significant credibility in accessing Australian and US capital markets and have a broad network of industry connections. Their strong support is strategically important for the Company.

The capital raising was co-managed by Wilson HTM, the underwriter of the Company's initial public offer in September 2004, and Intersuisse. The Directors look forward to continued involvement with these brokers in the year ahead.

The Directors consider that the capital raising will adequately capitalise the Company and enable the progression of major business initiatives in 2007. I will outline these for you now.

*Ongoing Australian and New Zealand Pilot Clinical Trial*

The Company has enrolled five patients in its pilot clinical trial in Australia and New Zealand. The results of the first two patients were presented to the Australasian Society of Cardiothoracic Surgeons in October, 2005 and those results were well received by the medical community.

### *Development of its Proprietary C-Pulse™ Driver*

The development of the C-Pulse™ driver by the Company's development contractors, Plexus Inc, has progressed well. A prototype of the driver unit is currently undergoing bench testing.

### *Commencement of an IDE Trial in the United States*

With this new driver, the Company intends to proceed with a clinical trial in the United States, subject to approval from the United States Food and Drug Administration (FDA).

The Capital Raising has 2 stages or "tranches":

- Tranche 1 of approximately 92 million new fully paid ordinary shares issued at \$0.15 cents per share to raise approximately \$14 million before costs. The number of shares to be issued as Tranche 1 will equate to approximately 112% of the number of shares currently on issue. There will be a number of investors in Tranche 1, the largest being CM Capital and GBS Venture Partners.
- Tranche 2 of 40 million new fully paid ordinary shares issued at \$0.15 cents per share upon the exercise of the Tranche 2 Options, to raise \$6 million before costs. The number of shares to be issued as Tranche 2 will equate to approximately 49% of the number of shares currently on issue. This placement of new shares will be made to CM Capital and GBS Venture Partners.

The investors under the capital raising will also receive 3 options for every 10 Shares acquired. These Placement Options will have an exercise price of \$0.20 each and a 3 year term.

Whilst, the capital raising is necessarily dilutionary to existing investors, it was priced at a premium to the prevailing market price and will provide the Company with substantial additional funding as was detailed in the Explanatory Statement sent to shareholders.

Both Tranche 1 and Tranche 2 are subject to security holder approval at this Extraordinary General Meeting. Tranche 2 is also subject to the FDA approving the application by the Company to conduct an Investigational Device Exemption (IDE) human clinical trial and either the investors may call upon the Company to issue the Shares and the Placement Options or the Company may call upon the investors to subscribe for the Shares and Placement Options.

Given the significance and size of the capital raising, the Independent Directors commissioned, on behalf of the Company, Innovation Dynamics Pty Ltd as an independent expert to assess the fairness and reasonableness of the capital raising. A copy of the Independent Expert's Report accompanied the Notice of Meeting. The Independent Expert concluded that the capital raising is both fair and reasonable to security holders not associated with the capital raising.

Finally, the Company is restricted from issuing, without security holder approval, a number of securities where the number of securities issued in a 12 month period exceeds 15%. Approval is therefore being sought in Resolution 3 of the issues of securities made by the Company in the last 12 months.

Further information in relation to the progress of the company and its achievements this past year will be provided in greater detail at our AGM on 1 November 2006.

More information about the C-Pulse heart assist device and the clinical trial may be obtained at [www.sunshineheart.com](http://www.sunshineheart.com) .

**For further information, please contact:**

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