



## ASX RELEASE

**Australia, Sydney. Wednesday 6 September, 2006.**

### **Sunshine Heart announces A\$20m institutional capital raising**

- Significant investment from major institutional investors
- A\$8m investment from specialist venture capital investor CM Capital
- A\$8.5m follow-on investments from founding shareholders
- Key step in delivering on North American clinical trial strategy
- Third party validation of C-Pulse™ heart assist technology

**Sunshine Heart Inc** (ASX: SHC) today announced that it has received binding commitments from institutional and other sophisticated investors to invest A\$19.5 million in new shares at \$0.15 per share. The Company expects to raise a further A\$0.5 to \$1.0 million over the next week. The new money, together with existing cash, will be used by Sunshine Heart to fund the ongoing development of the Company's C-Pulse™ heart assist device. Specifically, this will include completing the Australian clinical trial and a proposed 2007 application to the United States (US) Food and Drug Administration (FDA) to conduct an Investigational Device Exemption (IDE) human clinical trial.

#### **Placement of new shares and options**

A raising of A\$20 million will result in the issue of 133.3 million new shares and investors participating in the placement will also receive 40 million options (3 options for every 10 shares acquired). The options will have an exercise price of A\$0.20 each and a 3 year term. Assuming the exercise of 40 million options, the Company would raise a further A\$8.0 million.

The placement will be in two tranches. The first tranche will raise approximately A\$14 million and the second A\$6 million. Both tranches are subject to shareholder approval and a shareholder meeting is currently scheduled for 16 October 2006. The second tranche (in which only CM Capital and GBS Venture Partners will participate) is also subject to FDA approval of the Company's application for its US IDE human clinical trial of the C-Pulse™ device.

#### **A\$8.0 million investment by CM Capital**

The placement is to be led by Brisbane based life sciences and technology venture capital investment firm CM Capital. CM Capital will invest up to A\$8.0 million, payable in two tranches.

"One of the key findings of our US-based Advisory Board was a strong endorsement of the leadership of Sunshine Heart's CEO and medical device industry veteran Don Rohrbaugh. This financing should enable the Sunshine Heart team to exploit the exciting potential of the C-Pulse™ device and advance it into a US feasibility trial." said Andy Jane, Partner at CM Capital.

"Many small cap biotechnology and medical device companies on the ASX are faced with the uncertainty of raising additional development capital from the public markets. This A\$20 million capital raising provides the company with sufficient capital to reach a significant value creation milestone and has been

engineered to remove the financial risk in the intervening period.” said John Brennan, Partner at CM Capital.

He added, “The fact that GBS Venture Partners an existing shareholder and knowledgeable institutional life sciences investor was prepared to support this capital raising with a significant investment was a major vote of confidence in the Company.”

Following the Board's resolution on 1 September 2006 to increase the number of directors from 7 to 8, it is proposed that subject to shareholder approval, CM Capital will have a nominee appointed to the Board.

#### **A\$7.0 million follow-on investment by GBS Venture Partners**

Founding shareholder GBS Venture Partners, the Melbourne based life sciences specialist venture capital investor, will make a further investment in Sunshine Heart of up to A\$7.0 million, payable in two tranches.

#### **Investment timing**

Subject to shareholder approval, the first tranche investment is expected to occur in October, 2006. The Company expects to lodge an application for the US IDE human clinical trial approval with the FDA by mid-2007 and the second tranche of funds will be received following approval of that application.

#### **A\$5.0 million placement to institutional and sophisticated investors**

Sunshine's advisors Wilson HTM, the lead manager to the placement, and co-manager Intersuisse have also completed a placement of ordinary shares and options to institutional and sophisticated investors to raise up to a further A\$5.0 million. This institutional placement is also subject to approval by Sunshine Heart shareholders. A number of new institutional investors will join Sunshine Heart's share register following completion of the placement.

Several of Sunshine's other founding shareholders including Three Arch Partners of Portola Valley, California and Sunshine Heart co-founder Mr. Crispin Marsh will also make substantial follow-on investments, subject to shareholder approval.

CEO Don Rohrbaugh said: “This fundraising is very significant for Sunshine Heart as it is a validation of the C-Pulse™ technology. The placement has attracted new institutional investors such as CM Capital and we also acknowledge strong participation from our existing shareholders, particularly GBS Venture Partners. The breadth of experience and financial resources these two investors bring to the table will serve our company well for years to come.”

“The strong level of interest by venture capital firms is a reflection of the value proposition that Sunshine Heart represents to investors. Momentum is growing through further patient enrollments in our current Australian and New Zealand clinical trial program. As the Company is preparing to submit an IDE application, professional investors have recognized the value proposition and have supported this raising”.

Sunshine Heart COO Victor Windeyer added: “We are at an exciting stage in Sunshine Heart's history. We have demonstrated the functionality of the C-Pulse™ device, defined its relevance for Class III heart failure patients and have now completed a significant round of funding from specialist life sciences investors who understand this product and the role it can play as a non-blood contacting heart assist device.”

#### **FURTHER INFORMATION**

##### **EGM to consider placement**

An extraordinary meeting of members of Sunshine Heart is currently scheduled for 16 October, 2006 to consider the placement and other related issues. The first tranche investment will occur shortly after shareholder approval. The second tranche investment, subject to FDA approval of the Company's IDE application, is expected to close at or around 30 June, 2007.

## About CM Capital

CM Capital Investments is a leading Australian venture capital manager with A\$230 million under management and is currently investing out of its third fund of A\$120 million. Operating within a defined list of key sectors, CM Capital utilizes its broad based commercial experience and global networks to support a strong portfolio of investee companies, including three ASX listed companies and one dual ASX/NASDAQ listing.

CM Capital's investment focus is on Australian early stage technology based companies within the life sciences, medical devices, biotechnology and telecommunications and information technology sectors. For more information visit [www.cmcapital.com](http://www.cmcapital.com).

## About GBS Venture Partners

GBS is a leading Australian life science focussed venture fund manager, with A\$300M under management. It invests in early and mid stage companies, particularly in the medical device and biopharmaceutical industries. For more information visit [www.gbsventures.com.au](http://www.gbsventures.com.au)

## About Sunshine Heart

**Sunshine Heart** (ASX: SHC) ([www.sunshineheart.com](http://www.sunshineheart.com)) is a global medical device company, committed to the commercialisation of the C-Pulse™ an implantable, non-blood contacting, mechanical heart assist device for the treatment of people with heart failure. Sunshine Heart listed on the ASX in September 2004 and has a presence in Australia, New Zealand and the United States of America.

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The shares of Sunshine Heart have not been registered under the Securities Act of 1933 (the "US Securities Act") and may not be offered, sold or delivered in the United States, or to, or for the account or benefit of, any US Person, as such term is defined in Regulation S of the US Securities Act. In addition, hedging transactions with regard to the shares may not be conducted unless in accordance with the US Securities Act.

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