ASX Announcement:

SUNSHINE HEART ANNOUNCES RESEARCH AND DEVELOPMENT AGREEMENT WITH ALLEGHENY-SINGER RESEARCH

Sydney, Australia, 16 October, 2006. Sunshine Heart, Inc. (ASX: SHC) today announced a research and development agreement with the Allegheny-Singer Research Institute (ASRI) in Pittsburgh, USA. Under this agreement Sunshine Heart will evaluate the feasibility of using Allegheny's unique muscle energy converter (MEC) to power Sunshine Heart's C-Pulse™ heart-assist device.

The current version of the C-Pulse™ offers a number of advantages such as being non-blood contacting and non-obligatory. These features reduce the risk of infection and allow patients the freedom to turn the device off so that daily activities such as taking a shower are possible. This Agreement with ASRI could potentially provide a new generation of C-Pulse™ heart assist devices which add additional features such as the elimination of external attachments, allowing a patient to lead an almost entirely normal life.

The agreement with ASRI involves the sharing of technologies and know-how at no cost to Sunshine Heart. Sunshine Heart will contribute parts, equipment and know-how to the project in fulfillment of its obligations under the agreement. Under the agreement SHC will receive a "first right of refusal" to commercialise the Allegheny technology.

"Sunshine Heart is committed to developing the best possible solution to heart failure for patients," said Don Rohrbaugh, CEO of Sunshine Heart. "An important element of our strategy is the development of next generation products that can further improve a patient's quality of life. In addition to the research using the MEC system to power the C-Pulse™ we are also looking at alternatives such as Transcutaneous Energy Transfer (TET) technology for our future products," he continued.

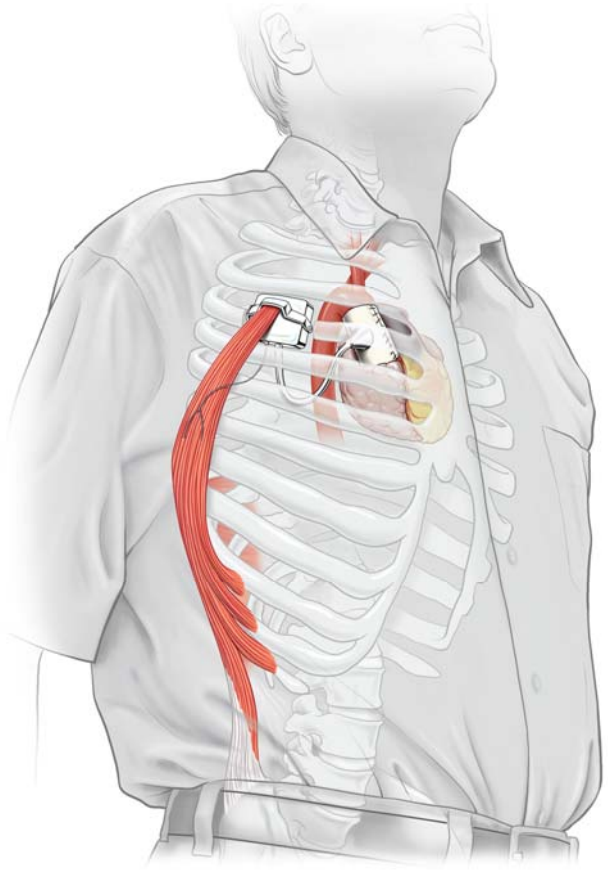
The MEC is a completely self-contained hydraulic pump that requires no external power source. The device turns skeletal muscles into living batteries, harnessing their vast stores of mechanical energy to power an implant. Once situated in the chest, the titanium device is fastened to the rib cage. An artificial tendon connects an actuator arm on the device to a back muscle, which is stimulated by implanted electrodes. When the muscle contracts, it moves the actuator arm, which then rotates a cam and generates hydraulic power for the C-Pulse™.

The MEC would remove the necessity for externally worn battery packs and would eliminate the need for any percutaneous leads.

The TET technology also offers the advantage of eliminating the need for a percutaneous lead but still requires an externally worn battery pack. The TET system consists of internal and external coils that are used to transmit power across the skin. Because tubes or wires do not pierce the skin, the risk of developing an infection is decreased.

Dr William Peters, Medical Director of Sunshine Heart commented: “The opportunity to work with ASRI’s MEC technology is enormously exciting. A biologically powered version of the C-Pulse™ system would be ideal for patients offering a heart failure therapy that is effective, non-intrusive and that allows a significant improvement in quality of life.

Denis Trumble of the ASRI added: "The benefits of using a biomechanical power source to drive a cardiac-assist device are hard to overstate and we are delighted with the opportunity to partner with Sunshine Heart to bring this vision to clinical reality."



Artist’s impression of a next generation, biomechanically powered C-Pulse™ system.

For further information:

The Allegheny-Singer Research Institute (ASRI) is a non-profit, independent research institute and a member of the West Penn Allegheny Health System. As the research component of Allegheny General Hospital, ASRI's vision is to facilitate the advancement of translational and clinical research in harmony with the clinical strengths of Allegheny General Hospital for improved patient care.

Sunshine Heart (ASX: SHC) is a global medical device company committed to the commercialization 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.

Heart failure is a progressively worsening condition characterised by shortness of breath with mild exercise, fatigue, dizziness and fluid retention. Heart failure is caused by the inability of the heart to pump sufficient blood around the body to meet its oxygen requirement. An estimated 325,000 people in Australia have symptomatic heart failure and there are 22,000 admissions to hospital for heart failure each year. Heart failure is believed to contribute to over 1.4 million days of hospitalisation annually at a cost of more than $1 billion. In excess of 5 million people in the US have heart failure.

The C-Pulse™ is an implantable, non-blood contacting mechanical heart assist device powered by an external driver unit.

For further information please see www.sunshineheart.com or contact:

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