

CEO Update

We continued to make great progress this past quarter in a variety of different areas of the Company. We welcomed a new board member and said farewell to another. The R&D team continued to make progress with our programs with the expectation of



Dave Rosa
CEO

completing all programs in the fourth quarter of this year. In addition, the clinical and regulatory department is preparing to submit our results of the 20 patient feasibility trial and our operations department began preparations to move into a larger facility to accommodate our growth and prepare the Company to initiate assembly of the cuff in-house.

In September, we had a number of important developments. First, Crispin Marsh, Sunshine Heart's

co-founder and also the developer of the Company's patent portfolio, retired from the Board. Our Chairman, Nick Callinan, discusses Crispin's numerous contributions on page two. I will add, If it were not for Crispin's work, the Company would not be here today. Also, we welcomed Mark Harvey as our newest Board member. Mark is a partner at CM Capital, currently our largest investor. His experience will be extremely valuable as we transition the Company to the next phase in our development.

Ohio State University released the initial results from our 20 patient feasibility trial. Following that, Dr. Bill Abraham, our co-principal

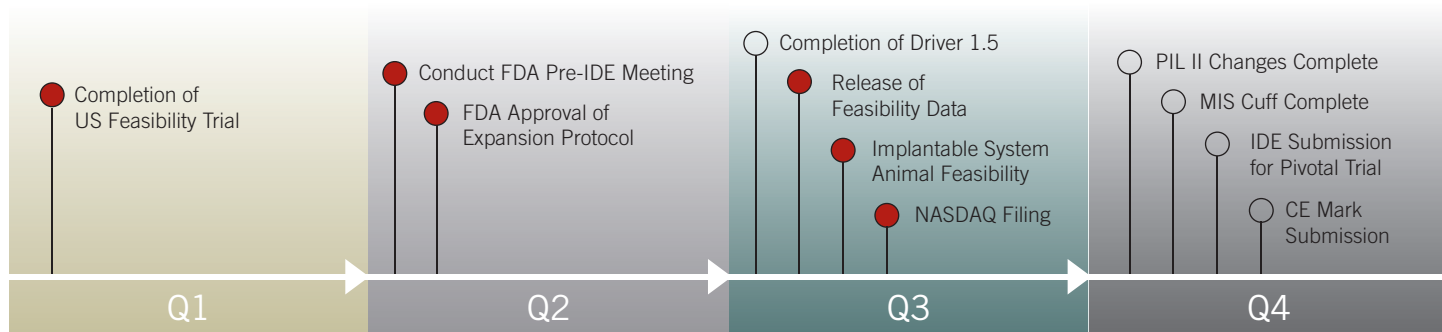
investigator, visited Australia to present the initial results and discuss the next steps. Dr. Abraham's presentation was taped and is available on Boardroom Radio as well as our Company website. The results were extremely encouraging and a full presentation will be made Nov. 7, at the Transcatheter Cardiovascular Therapeutics (TCT) meeting in San Francisco, CA. A second presentation on Nov. 8, will be given by Dr. Renzo Cecere, one of our implanting surgeons from Montreal, Canada. We will have an exhibit booth and display at TCT to welcome physicians and investors. Please visit us at booth #1639 if you plan on attending.

Another important milestone completed in September was the Company's submission to list on NASDAQ in the United States. This provides both liquidity for our U.S. investors as well as expands the potential pool of investors as some U.S. institutional investors may only invest in U.S. listed companies. We expect to continue to list on the ASX in addition to NASDAQ.

Finally, William Peters and I traveled to Europe to meet with doctors to discuss their interest in using the C-Pulse technology once we have received CE Mark approval. I am pleased to report that our trip was successful and we identified six centers that are interested in the technology. In preparation for approaching commercialization in Europe and possibly other opportunities outside of the U.S., we hired Jim Yearick, a seasoned veteran from Medtronic. Jim has a wealth of international marketing and sales experience in the heart failure market. We expect great things from Jim in the future. As always, thanks for your continued support.

All the best, Dave

2011 Milestones



● Completed

Acknowledgements

Founding Director Marsh Retires

P. Crispin Marsh, a director since Sunshine Heart was founded in 1999, retired in September. Over the past 12 years, Crispin has supported, guided and actively worked for the company as it has grown from William Peters' original idea to the major milestone of completing its FDA safety trial.

Remembering the early years, William Peters said he approached Crispin Marsh because he had known him from a previous, successful patent development in the early '90s (minimally invasive heart surgery) when Crispin was then a partner of FB Rice & Co., Patent Attorneys, in Sydney. Crispin, something of an entrepreneur in his own right and an angel investor, had recently left FB Rice to set up SCP Technology & Growth Pty Ltd as a vehicle to support start-up companies. He and William incorporated the original Sunshine Heart Company Pty Ltd.; Crispin was its first chairman.

Crispin's early priority was to find money for the business. With William, he put in the first capital, he brought in \$1 million venture capital from Brandon Capital and he secured R&D startup grants from the Australian government. William was busy developing the technology, but, he recalls: "it was Crispin who ran the ship."

A couple of years later, in 2002, the company needed finance for the animal trials of the device that would become the C-Pulse. Crispin introduced the specialty venture firm, GBS Capital, and the US venture group, Three Arch Partners. It was to accommodate the latter that Sunshine Heart Inc was set up as a Delaware company and took over the operations of the business.

Crispin's role in the company grew as its operations developed. Not only was he ensuring comprehensive patent protection of

the company's intellectual property — in some he was the named inventor of the technology — but also he was managing much of the day-to-day operations of the company. Cash was tight and, to save money, Crispin provided space at his company, SCP, for the Sunshine engineers. "He was incredibly dedicated to driving Sunshine Heart forward," said William. "He was very generous with his time, his facilities and with his further investment in the business."

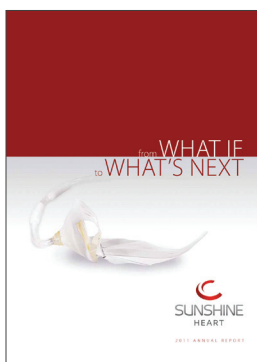
Capital sources had dried up in 2004 just as Sunshine needed money for human trials. Crispin led the company in making an initial public offering, raising \$15 million on the Australian Stock Exchange. At part of this development, a full time CEO was recruited and a new external chairman appointed. Crispin remained as an executive director until mid-2006 and as a non-executive director since then. He has served on the board committees for Audit and Compliance, and for Corporate Governance.

We acknowledge what Crispin has done throughout the life of Sunshine Heart. He has said that, with the achievement of the major FDA milestone this year, and with the operational emphasis moving from the original product development through the feasibility clinical trials, he felt he has made his contribution and can now pass the baton as the company expands its implant program and commercial operations.

Crispin plans to spend more time pursuing his interests in sailing, and in birding and classical music, both of which he follows around the world. We wish him well and thank him for his essential contribution to the company.

Nick Callinan, Chairman

Annual Report



The 2011 Annual Report is now available for viewing or download on the Sunshine Heart website under the Investors tab. This year, you will find an interactive PDF as well as a traditional print PDF highlighting the significant developments for the company.

Twelve year's ago, Cardiac Surgeon William Peters identified a patient need in the area of Heart

Failure and the C-Pulse became a concept. If he had not asked himself "what if..." the product would not be around today. The company, having completed its feasibility trial and preparing for the release of the results, can ask "what's next?" This is an exciting time for Sunshine Heart because "what's next" is endless. From expanding operations to next generation product enhancements.

From CE mark and European commercialization. From listing on the NASDAQ to... The company challenges each and every employee, board member and investor to consider what's next for Sunshine Heart to continue searching for ways to grow the company that was only a concept twelve years ago.

Personnel Spotlights

Editor's note: From time to time we will focus on one or two key members of the Sunshine Heart team. In this issue we have Jim Yearick and Dori Jones.

Dori Jones

Clinical Engineer

What is the most interesting job you have had?

Prior to working for Sunshine Heart, I worked as a mechanical engineer in the Quality Department at Jarvik Heart. I had the opportunity to work directly with Dr. Jarvik, who invented an artificial heart in the 80s and now develops LVADs for heart failure and cardiomyopathy patients. I worked with a great team on several projects, including the launch of the pediatric LVAD program. One of the unique features of Jarvik Heart is its midtown Manhattan location, where you don't typically find medical device manufacturers overlooking the Hudson!



When did you join Sunshine Heart and what brought you to the company?

I started working as a clinical engineer in September, 2011; but it was 2007 when my relationship with Sunshine began. I had moved to Sydney, Australia after graduating from Lehigh University, and worked as a contractor with Sunshine Heart. At the time, they were still in the finishing stages of R&D for the C-Pulse System, and I had the pleasure of assisting the engineers in testing, manufacturing and design improvements. I really enjoyed the job, but my travel plans took me to New Zealand at the end of the year, so my time with the Aussies was cut short. I was thrilled when a position opened in the States, and I was especially excited about the opportunity to work in the field with patients, doctors and clinical coordinators.

What type of background prepared you for your position at the company?

My experience with Sunshine Heart in Sydney, and then the several years with Jarvik Heart certainly gave me a good background in medical devices and dealing with regulatory authorities. A mechanical engineering degree from Lehigh doesn't hurt either. My interest in the medical field, however, started when I was much younger, working in doctors' offices and surgical centers during my summers in high school and college. With a majority of my family somehow involved in the medical industry (I'm the only engineer), working on medical devices seemed to be a perfect combination of my background and interests. I look forward to expanding my knowledge in both the clinical and engineering aspects of my position.

What will be your focus in the coming months?

Analyzing data from the feasibility stage of our clinical trial will be my main focus for the remainder of this year, along with field training with the clinical team. Visiting our clinical sites will help me prepare for next year, when the pivotal trial will be under way. I am fortunate to be working with such a great team of people.

What keeps you busy when you are not at work?

I'd have to say travel. My husband and I, in addition to Australia and New Zealand, have traveled to Southeast Asia, Europe and recently Morocco for our honeymoon. We like to consider ourselves adventurers, and there is plenty for us to still see. Our next stop is India! Also, I'm also a competitive runner and have completed marathons and local races for various causes.

Jim Yearick

VP of Marketing and Sales

What attracted you to Sunshine Heart?

After learning how the C-Pulse solution addresses heart failure, I quickly realized that this innovative technology can be one the largest breakthroughs in a disease state that is among the most costly and prevalent in the world. This is especially true in comparison to the alternative option, LVAD's, where C-Pulse is less invasive, less costly, doesn't touch the bloodstream (no anticoagulants) and patients can disconnect it briefly throughout the day. I am happy to be part of a tremendously talented leadership team that Dave Rosa has put together to make this product and company very successful.



Where did you work previous to coming to Sunshine Heart?

I have had an extensive amount of experience over the last 20 years bringing new products and platforms to the healthcare industry globally, most recently in the heart failure area with Medtronic.

What will be your focus in your new role?

To be successful, Sunshine Heart will need to develop a robust market plan, penetrate international markets and execute on a commercial level with tenacity. These are the areas I have built my career upon over the last 20 years and the areas I am holding myself accountable to as the VP of Marketing and Sales. As a runner, I know the importance of setting the pace, persevering and doing what it takes to win. I look forward to winning as a team at Sunshine Heart.

New Board Members

Mark Harvey

Mark Harvey is a Partner with CM Capital Investments. He has over 15 years of experience in medical research, technology transfer, and commercialization and has played key roles in the formation, fundraising and management of numerous life science companies.

Prior to joining CM Capital, Mark was the Chief Executive Officer of Symbiosis Group Limited, an early-stage life sciences investment company and was Group Manager, Life Sciences for UniQuest, the commercial arm of the University of Queensland. In this role, Mark coordinated the commercialization of intellectual property assets in the field of life sciences at the University of Queensland.

He was also a member of the Investment Committee of UniSeed, a \$62 million pre-seed fund. Mark has a Ph.D. (Physiology) and M.B.A., and is an Adjunct Associate Professor at the University of Queensland.



TCT Presentations

The following topics will be presented at the TCT conference in San Francisco, CA in November.

Monday, November 7, 2011
7:15 - 7:29 p.m. (PST), Room 121

Results of the C-Pulse Feasibility Study: C-PULSE. A Prospective, Study with a Non-Blood Contacting Extra-Aortic Counterpulsation System in Patients with Moderate to Severe Ambulatory Heart Failure

National co-lead principal investigator, William T. Abraham, M.D., director of the division of cardiovascular medicine at Ohio State University Medical Center will present the most recent data.

Tuesday, November 8, 2011
4:51 p.m. (PST), Room 123

Device-Based Approaches for Heart Failure: Recent Developments and New Directions: Sunshine Heart

Renzo Cecere, M.D., director of the Mechanical Heart Assist Program and surgical director of the Heart Failure and Heart Transplant Program at the McGill University Health Centre in Montreal, Canada will present on the C-Pulse and its impact on coronary perfusion.

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Forward Looking Statement

Statements in this document that are not purely historical are forward looking statements. Various factors could cause actual results to differ materially from any forward looking statement, such as the timing and outcomes of clinical results including the efficacy of products, financing availability, and product sales and marketing. Whilst we believe any forward looking statement made to be reasonable as of the date hereof, we can give no assurance that our expectations are correct. All forward looking statements are expressly qualified in their entirety by this cautionary statement.

US Securities Statement

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.

C-Pulse is a trademark of Sunshine Heart, Inc. and is registered in the United States Patent and Trademark Office.

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