

CEO Update

In late May, I had the opportunity to meet with some of you at shareholder meetings held in Sydney, Melbourne and Brisbane. During those meetings, I reviewed the Company's progress and future objectives. Thank you to all who attended and I hope I am able to meet those of you that were not able to join us in the near future.



Dave Rosa
CEO

In this issue, I will highlight our clinical trial progress and introduce our new centers participating in the C-Pulse® trial. As we pass the midway point of the U.S. feasibility trial, I am happy to say that our existing sites remain committed to finishing this study by the end of September as is evidenced by the number of patients they are approaching to consent.

I have been asked on occasion why it takes so long to perform an implant. Allow me to explain the process. First, a heart failure cardiologist identifies an existing patient that falls within our basic criteria for the trial. For example, patients that are classified as Class III or ambulatory Class IV are eligible. If you are not classified as III or ambulatory IV, you cannot be enrolled under our protocol. Next, the patient must consent to the procedure. After consent, the patient then must be screened—this is a rigorous process that requires the patient to undergo a series of tests in order to ensure they are appropriate for implanting. This criteria is established by the U.S. FDA and the Company. At times, a patient will not qualify because they do not meet the testing requirements.

Over the past three months, we have continued our progress with implanting patients, completed the expansion of new centers for our clinical trial, made significant strides in the development of our minimally invasive tools and completed our first two minimally invasive procedures. Demonstrating that our technology can be implanted via a small incision will help bring greater support from referring physicians and patients alike. We also have plans to downsize our existing system to make it smaller and lighter for patients. In the future, you will be hearing more about the Company's progress toward new milestones. These are exciting times for the Company and with your continued support, we are confident we can meet our objectives.

Dave

St. Vincent's approved to participate in C-Pulse trial

In July 2010, St. Vincent's Hospital, Sydney, Australia, received approval to participate in Sunshine Heart's C-Pulse study. Approximately five years ago, St. Vincent's participated in the Company's initial pilot study targeting heart failure patients that included centers in both New Zealand and Australia. Since then, the Company has dramatically downsized the device Driver and made improvements to the Cuff.

On July 28, 2010, Dr. Paul Jansz implanted their first patient under this protocol. Dr. Chris Hayward, a heart failure cardiologist that was involved in the initial experience commented, "We are very excited to be involved in the new C-Pulse device trial. It is great to see that there have been many significant improvements since the early pilot study. In our first patient, the haemodynamic benefit was immediate and impressive. We are now actively looking for our next C-Pulse patient."



Associate Professor Chris Hayward and
Clinical Coordinator Clare Coates

Congratulations to Dr. Hayward, Dr. Jansz, Clare Coates and the entire St. Vincent's team. We look forward to continuing with our long standing relationship.



Dr. Jansz and associates preparing for a C-Pulse implant.

C-Pulse Clinical Trial News

As mentioned in the CEO update, we have now passed the midway point of the C-Pulse trial. Dave Rosa's commitment was to perform a minimally invasive procedure by the end of 2010. On June 3, 2010 the first minimally invasive C-Pulse implant was performed at Jewish Hospital in Louisville, Kentucky. Dr. Mark Slaughter performed the procedure via a small incision in the sternum. This procedure is very similar to minimally invasive aortic valve replacement. Congratulations to Dr. Slaughter and his team on reaching this important milestone.



Initial minimally invasive procedure performed at St. Luke's Hospital.

On July 21, 2010 Dr. Sanjeev Aggarwal performed the second minimally invasive procedure at St. Luke's Hospital in Kansas City, Missouri. Dr. Aggarwal had previous experience with the C-Pulse device as he was a colleague of Dr. Slaughter's at Jewish Hospital before moving to St. Luke's.

Dr. Aggarwal commented, "The C-Pulse device represents an important advance in the treatment of patients suffering from advanced heart failure. The clinical effects of the device in our initial patient implant were dramatic, with an immediate improvement in hemodynamic parameters and an improvement in functional status within the early post-operative period. This technology has the potential to benefit a large number of patients suffering from heart failure." Congratulations to Dr. Aggarwal and his team.



St. Luke's Hospital Implant Team

Front Row: Karen Haffey RN-Study Coordinator, Jackie Smith RN-Study Coordinator, Dr. Andrew Kao MD-Heart Failure Cardiologist. Back Row: Dr. Sanjeev Aggarwal MD-Surgeon Principal Investigator, Dr. Michael Borkon MD-Surgeon

Site Expansion Update

As previously discussed, the Company was in the process of adding sites in Australia, Canada and the U.S. to enable the Company to gain additional clinical experience with the C-Pulse system.

We are pleased to announce that St. Vincent's in Sydney, Australia, Royal Victoria Hospital in Montreal, Canada, St. Luke's Hospital in Kansas City, Missouri and United Hospital in St. Paul Minnesota are officially on board as of July 2010.

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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. The C-Pulse System is undergoing clinical evaluation and is not available for commercial sale.
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