



Wednesday 24th September 2014

iSonea Accelerating Commercialisation After Strengthening Business Platform

Dear Shareholder,

A new Board of Directors was announced on February 4th 2014 with the strategic objective to build shareholder value through commercial partnerships that will drive the development and sale of our AirSonea™ devices, software and digital health applications.

In the past six months, the company has had to overcome several immediate, major challenges to build a sound platform for commercialisation. These tasks proved more difficult and time consuming than anticipated and prevented the acceleration of commercialisation opportunities.

The iSonea Board is confident that the tasks associated with the turnaround, re-engineering and stabilisation of the business have reached conclusion and the company is now entering a period of forward momentum.

The Board has identified one overarching step to be put in place to establish an effective pathway for commercialisation and value creation for shareholders. iSonea needs to more effectively collaborate with leading clinicians, health care professionals and peak asthma bodies that are dedicated to addressing the need for a comprehensive approach to managing asthma. iSonea's value proposition then needs to be completed with collaborative independent clinical research.

Immediate Challenges Addressed

A sounder business platform needed to be established before accelerating commercial opportunities. Early stage technological companies often concentrate on continually creating, developing and refining new technology and often lose sight of the limited capital, time and resources available to them.

The company has reduced the excessively high cash burn and achieved more robust internal systems and controls. We have consolidated iSonea's IP management and oversight to Australia.

Importantly, iSonea has now received FDA clearance to sell SonoSentry™1 as an over the counter (OTC) device in the United States and other markets.

AirSonea™'s product performance and customer and healthcare provider acceptance relies on a server based IT system that connects AirSonea™ to its customers and healthcare partners. The failed launch in Australia indicated web and app problems. Thus, over the past six months the Board commissioned a thorough external review of iSonea's information technology architecture and functionality. The recently completed review concluded that the engagement of multiple service providers situated on four continents resulted in a high cost, over-engineered and complex IT infrastructure. This has been remedied.

A New CEO, Greg Tunny, Appointed

The Board has accepted the resignation of Stephen Tunnell. Incoming CEO, Greg Tunny brings extensive experience in relevant advanced technology products, systems development and commercialisation to iSonea, having been involved in developing acoustic technologies and signal processing for over ten years.

Greg is a former Managing Director of Thales ATM (Australasia) Pty Ltd, a subsidiary of the French company Thales Group, and a leading provider of large national Air Traffic Control Systems and former Managing Director and CEO of ASC Pty Ltd, Australia's primary naval ship and submarine construction company. More recently he has enjoyed the challenges presented in providing leadership to startup ventures. Greg's experience in delivering on major projects, his extensive acoustics technical expertise and his previous management background with international firms and Australian businesses involved in acoustics, makes him an exciting addition to our resource capacity.

New external Information Technology and Marketing resources retained

iSonea has established a new supplier partnership with Two Bulls Holdings, a leading Australian IT and App development firm based in Melbourne, with offices in New York and Berlin. Two Bulls' credentials include partnerships with Qualcomm, Disney, Amazon Web Services and Apple Consultants Network.

An experienced, creative marketing team, The Wall Partnership, has been retained to provide the right skill base for marketing and promotion. Significant progress has been made with improved new messaging, new packaging and operating manuals. Most importantly, the trial AirSonea™ App has an improved user experience and functionality.

Stronger technology position with first mover advantage in Respiratory Digital Health

iSonea's proprietary technology of Acoustic Respiratory Monitoring (ARM™) detects and measures wheeze, a key symptom of asthma. AirSonea™ devices are symptom monitors rather than a diagnostic tool. Our technology will not predict an asthma attack as suggested previously as part of the company's mission.

Our flagship AirSonea™ wheeze monitor device and App uses a cloud-based algorithm to process WheezeRATE™ recordings. SonoSentry™1 is a standalone, hand held device with the algorithm embedded in the device.

Recent activity in asthma digital health has been in compliance monitoring of inhaler medication usage. We are pleased to report that iSonea has been granted a patent for compliance monitoring of asthma inhalers. This product addresses the multitude of inhaler types and regimes that an individual may use, thus differentiating it from other products in this space.

Establish improved collaboration with leading clinicians, health care professionals and peak asthma bodies

Health authorities universally agree that finding cost effective tools to improve asthma patient self-management is critically important and that digital health offers the potential to improve monitoring of asthma and self-management.

A Review Article on the ‘Fundamentals of Lung Auscultation’ was recently published in the prestigious New England Journal of Medicine and is encouraging in that it draws attention to the development of a monitoring tool such as AirSonea™.

As part of their conclusions the authors stated:

“The development of robust acoustic devices for use at the bedside - as exemplified by electronic stethoscopes paired with small convenient recorders and perhaps in the form of a smartphone with an app – may provide the long-awaited portable objective means to record, analyse, and store lung sounds just as any other clinical information is measured and stored. This development will make sound tracking possible, further enhancing the usefulness of auscultation.”

(“Fundamentals of Lung Auscultation” by Abraham Bohadana, M.D. Gabriel Izicki, M.D. and Steve. S Kraman, M.D. N ENGL J MED 370;8 NEJM.ORG FEBRUARY 20, 2014)

iSonea’s ARM™ technology effectively detects wheeze according to CORSA Guidelines. iSonea has studies that are being prepared for publication to demonstrate clinical relevance.

The Board believes that independent clinical research is also required to complete the value proposition. It may, for example, take into account asthma severity of patients and their current control state, patient age as well as the healthcare resources available to patients.

Commercial partnerships in Digital Health and additional resources.

The company believes there is a substantial opportunity for iSonea’s wheeze detection products in Digital Health and is working with an international investment bank to help resource this commercialisation pathway.

Our partnership landscape is broad, both globally and by country with industry giants.

Global: iSonea is reopening discussions with world OEM leaders in their respective fields as an extension of their substantial product offerings. The FDA approval of SonoSentry™1 has provided the foundation for reopening these discussions.

Country: Specific country partnership discussions are progressing respectively.

- **UK and Europe Partnership Opportunity: Confidentiality Agreement Signed:**

iSonea has signed a commercial-in-confidence confidentiality agreement with a well-credentialed major UK company with the capability to work with the relevant authorities and industry leaders to pilot and then market the AirSonea™ wheeze monitor and app firstly in the UK and then Europe. There are approximately 30 million asthma sufferers in the European and UK markets. Importantly, there are a large number of major cities in the UK that offer excellent opportunities for phased trials and then rollouts. The Chairman was in the UK in early August and successfully progressed partnership negotiations.

- **Pilot with Major Australian Pharmacy Chain:**

iSonea is holding productive discussions with a major pharmacy chain with a view to entering into an exclusive arrangement for its pilot and subsequent Australian launch. The purpose of the pilot phase is to introduce the AirSonea™ Wheeze Monitor and AirSonea™ App to selected pharmacies and healthcare professionals to market test the rollout model. The pilot will be independently monitored and evaluated.

Partnership agreements with major global corporations clearly cannot be negotiated overnight. However, the company is approaching this task with a sense of urgency and a much stronger corporate base.

Since February 2014, iSonea has completed the tasks associated with the turnaround, reengineering and stabilisation of the business. The Company will now accelerate its commercialisation plans.

Sincerely,

Leon L'Huillier
Chairman

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Company Secretary

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Looking Forward Statements

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