



Dear Shareholder,

Recently we announced that the New York-based Bergen Global Opportunity Fund, LP has made an anchor investment as iSonea readies for listing in the USA this Fall on the OTC-QX. From calls and emails that we have since received, it appears that there are further questions in shareholders' minds about this investment. We would like to take this opportunity to clarify and address those queries.

iSonea is ready to move forward in the next phase of its commercial development and create awareness as well as demand for our Acoustic Respiratory Monitoring technology in vitally important asthma markets such as the USA. In order to accomplish the steps necessary to achieve success in these markets, and thus to deliver an appropriate return to shareholders, the Company requires a funding commitment that will provide enough "runway" for the execution of plans to gain widespread reimbursement and physician adoption of this new technology.

We believe that a meaningful upfront investment from a US institution, with a meaningful investment commitment agreed to follow, validates the Company's business model and helps to raise iSonea's profile in the US financial markets, as well as in the US medical device and healthcare technology industries – visibility which can be extremely beneficial to our future growth.

In selecting Bergen as an investment source and this particular term structure, we carefully assessed several investment facilities, dismissing those types of convertible notes that could be potentially onerous to the Company. Our key goals were to find:

- An investor committed to a longer term relationship, at least 24 months;
- An arrangement that would extend maximum flexibility to iSonea, allowing the Company to receive funding at elevated share prices, as we hit milestones;
- An instrument that would minimize dilution to our shareholder base; and
- Exit flexibility for the Company, if we so choose to terminate the deal during the course of the agreement.

The agreement with Bergen accomplishes these goals in the form of a share purchase commitment by Bergen, with a structure that affords the Company with the highest degree of flexibility. In this case, the investment of up to AU\$10.6 million will be made in two parallel instruments:

- AU\$1 million lump sum investment via an unsecured convertible instrument with a face value of AU\$ 1.12 million – this transaction has settled, and the Company has received the funds; and
- Up to AU\$9.6 million over a period of 24 months, by way of Bergen's payment for additional ordinary shares.

Bergen's commitment is to invest in iSonea and dollar cost average its investment, allowing the shares to appreciate as the company hits various future milestones. Future share purchases will be at premiums to the current share price, if the Company's share price appreciates. Also the initial investment is designed to convert at such conversion price formula that while the Company cannot restrict Bergen from selling, there is an incentive for the investor not to sell until future achievements result in positive growth and share price trends.



There are several benefits of this approach to the Company and its shareholders:

- The Bergen share purchase commitment provides certainty of access to funding necessary for the Company to execute its plan and grow over the next 24 months;
- This investment is not subject to any financial covenants that would typically be found in debt instruments, and it does not prevent the Company from raising additional funding;
- Safeguards have been put in place to minimize dilution, including the structure for conversion price of additional share purchases by Bergen, and the Company's option to not issue shares and terminate the agreement if the share price were to be lower than a specified floor price;
- Bergen's return on investment depends upon the Company's successful performance and consequent share price appreciation; and
- Bergen has been granted options to acquire ordinary shares in the Company at an exercise price of 140% of the average daily VWAP for the 10 days prior to the agreement, with an expiry date in 2015, which maximizes Bergen's interests in the Company's long-term share price appreciation.

The Company believes that the certainty of this funding provides, for the first time, a sufficient runway for the Company to focus on creating medical adoption of ARM technology, building its business, and creating shareholder value.

This investment, along with the continued support of our Australian shareholders, and expected new interest in the US financial market, will enable the company to achieve substantive milestones over the next 12 months, as we:

- Strengthen the management team with top talent;
- Initiate crucial clinical studies to strengthen scientific advocacy and gain reimbursement;
- Demonstrate receptivity to and adoption of ARM technology among pulmonary and asthma thought leaders; and
- Engage additional strategic partnerships to ensure widespread physician and consumer acceptance at launch.

Discussions continue with a Fortune 500 company about the Memorandum of Understanding (announced in August) for distribution of the WheezoMeter™ in the USA. Consummating such an agreement is a top priority for the Company, and it is our goal to have a deal closed by the end of this calendar year.

iSonea has an innovative solution to a major medical need, enabling effortless, ongoing monitoring of asthma symptoms for more successful patient outcomes. This technology represents a new standard of care for disease management and could lead to a strategic acquisition by a pharmaceutical or respiratory device company.



I would like to thank our shareholders for your continued enthusiasm and support of iSonea Ltd, as we execute a plan to make the Company a credible provider of innovative solutions in the multibillion dollar asthma monitoring and management market.

Michael J. Thomas

Chief Executive Officer

Dated 4 October 2011

About iSonea Limited

iSonea Ltd is an emerging medical technology company that focuses on supplying innovative, non-invasive Acoustic Respiratory Monitoring devices and software for disease management of asthma and related pulmonary disorders. Asthma affects roughly 13% of the population in developed countries with an annual impact exceeding US\$56 billion in the US alone.

Acoustic Respiratory Monitoring is a breakthrough in asthma management for patients of all ages, including the very young, very old and others who cannot perform currently available tests. The technology, developed from extensive R&D and clinical validation in the US, Israel and Australia, facilitates accurate, consistent and frequent monitoring of patients anywhere, anytime. ARM technology devices from iSonea have gained regulatory clearance from the US FDA, the Australian TGA, and carry the European Union CE Mark. ARM products have been designed specifically for intermittent and continuous monitoring applications in the home, school or work environment, clinic, and ICU. The company is now focusing efforts on early commercialization of its products in the North American, European, and Asian Pacific markets.

Disclaimer

This update may contain certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the achieving of adequate commercial sales of the Company's products, the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

iSonea accepts no responsibility to update any person regarding any error or omission or change in the information in this update or any other information made available to a person or any obligation to furnish the person with further information, other than in accordance with ASX or other applicable laws or regulations.