



Friday 27th February 2015

COMMERCIALISING ISONEA TO REMAIN AT THE FOREFRONT OF RESPIRATORY DIGITAL HEALTH

Building shareholder value through the development and sale of our iSonea devices and digital health applications remains our core objective. The Board is confident that we have strong proprietary technology and first-mover advantage in digital respiratory health that underpins our commercialisation pathway.

Chairman Leon L'Huillier said "There are no shortcuts in the development and sale of complex medical devices. Unfortunately, the company's decision in 2013 not to include a second microphone to address ambient noise in AirSonea® had a major effect on product performance. All previous devices produced by the company had a second microphone. The failed launch of AirSonea eventually destroyed shareholder value and the hype presented in 2013 around the growth of smartphones and mobile health applications gave investors unrealistic expectations of iSonea's early financial success."

iSonea's pathway to commercialisation:

1. AirSonea will now offer a robust user experience that meets the expectations of asthma patients, parents and caregivers, the medical profession, health authorities and insurers in different markets.
 - **The AirSonea device will be retrofitted with an ambient microphone to make it less susceptible to background noise and new micro processing software.** A prototype will be delivered mid-April and our devices retrofitted in time for clinical trials.
 - **A totally new software IT infrastructure** is being developed in stages to support the AirSonea device and App in the clinical trial and for subsequent consumer sales.
 - **Our Independent clinical trial** will include iSonea's highly respected scientific advisory team, prominent Australian paediatric respiratory physicians in Melbourne and Sydney and leading General Practitioners. In addition, we are pursuing the possibility of a trial in the UK.
2. Our portfolio of products will open up substantially more commercial opportunities in both the home/ambulatory market and in hospital and clinical settings.
 - **Home/Ambulatory Monitoring Products:** AirSonea® Asthma Wheeze Monitor, SonoSentry™1 (WheezoMeter™), WHolter™ the WHolter is designed for 8 - 24 hour home ambulatory recording (nocturnal wheeze & cough).
 - **Hospital/Clinical Products: PulmoTrack® Computerised Wheeze Detection** PulmoTrack is iSonea's foundation product, designed for hospital/clinic-based real-time monitoring of wheeze and cough in the management of acute, severe asthma in the ER and IC, and for Paediatric Pulmonary Function Testing and Sleep Labs.

COMMERCIALISING AIRSONEA

1. **Retrofit the AirSonea device with an ambient microphone and new micro processing software** before release to the clinical trial and the market. Our partner, Grey Innovation is delivering new hardware. The omission of a second microphone in AirSonea was a design error resulting in poor performance. In addition, new micro processing upgrades have addressed firmware bugs and other issues. A prototype will be delivered mid-April and devices retrofitted in time for clinical trials.
2. **Develop a totally new software IT infrastructure** to support the AirSonea device and App. The architecture supporting the original app was not stable or robust enough to support large numbers of consumers or regular updates, which would have resulted in the app crashing, and a very disappointing user experience. The new software from Two Bulls is more robust, scalable and secure to support sales forecasts. Further, it provides a substantially faster analysis of breath recordings and an app with a more engaging user interface. This is being completed by stage to tie in with clinical trials and market entry and will be ready well before clinical trials commence.
3. **Complete an Independent Clinical Trial:** AirSonea was never independently clinically tested by the company, despite advice from doctors and the asthma community. The trial will be undertaken in consultation with our highly respected scientific advisory team:
 - **Professor Noam Gavriely M.D. D.Sc.** is the innovator of iSonea's core technology and is an international authority on pulmonary acoustics, having practised basic and applied research in the field for over 25 years. Professor Gavriely served as Executive Director of KarmelSonix Ltd, now iSonea, from 2006 - 2010.
 - **Emeritus Professor Simon Godfrey M.D. PhD, FRCP, FRCPCH** is Emeritus Professor of Paediatrics at the Hadassah-Hebrew University, Jerusalem, Israel. Professor Godfrey has published a number of books and over 190 clinical papers.

Current discussions with prominent Australian paediatric respiratory physicians in Sydney and Melbourne **will enable us to advise shareholders as soon as possible on the timeframe for our clinical trial work.**

The Board is confident that the clinical trials of AirSonea will be successful. In the last few years, 13 global clinical studies were conducted on the use of iSonea's Automatic Wheeze Detection technology in patients with obstruction airway disease. This technology was applied to children starting from 4 months of age to adults in the following settings: spot-check recordings, bronchial-provocation testing and in overnight monitor of nocturnal asthma.

MORE COMMERCIAL OPPORTUNITIES WITH A BROADER PRODUCT PORTFOLIO

Acoustics and digital signal processing is the heart of iSonea's intellectual property and is built on a solid foundation of clinical expertise.

Our innovative, proprietary Acoustic Respiratory Monitoring (ARM™) algorithm technology records airway sounds to detect continuous adventitious breath sounds and measure the extent of wheezing caused by airway obstruction. iSonea devices work like a stethoscope utilising special contact microphones, or acoustic sensors to pick up breath sounds from the lungs at the windpipe (trachea), and in our clinical devices, the chest. The recorded signals are amplified, filtered and digitally processed through the algorithm to return a WheezeRATE™, the percentage of abnormal breath sound detected during the measurement time.

The monitoring of wheeze, a primary sign and symptom of asthma will help asthma sufferers and their caregivers better understand how asthma affects them as individuals and help them better adhere to their asthma management plan.

HOME/AMBULATORY COMPUTERISED WHEEZE DETECTION PRODUCTS

Health authorities universally agree effective tools to improve patient self-management of chronic diseases are critically important. iSonea has three products in this category.

AirSonea® Asthma Wheeze Monitor

The AirSonea device and app is an innovative monitoring tool for the detection and measurement of wheeze. The device is held against the trachea and the recording and WheezeRATE algorithm analysis takes place within the app. The results and sound files are automatically uploaded to a secure cloud server for review and sharing via email with doctors and other healthcare providers.



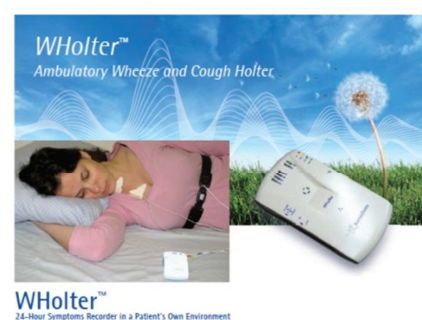
SonoSentry™1 (WheezoMeter™)

iSonea has achieved the first clearance of an Over-the-Counter (OTC) wheeze detection device in the United States. With FDA clearance, the company can market the device in the USA as an OTC product without the need for the purchaser to obtain a prescription from a medical practitioner.



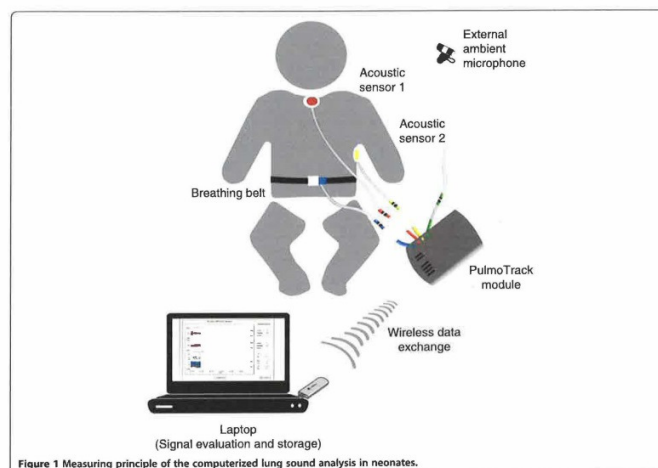
WHolter™

The WHolter is designed for 8 - 24 hour home ambulatory recording (nocturnal wheeze & cough). This option of monitoring asthma patients and collecting data for a period of time in their own home is important and has excellent potential to develop service and consumables revenues around it. WHolter uses PulmoTrack software and connects to a PC via USB.



HOSPITAL/CLINICAL PRODUCTS COMPUTERISED WHEEZE DETECTION

PulmoTrack is iSonea's foundation product, designed for hospital/clinic-based real-time monitoring of wheeze and cough in the management of acute, severe asthma in the ER and IC, and for Paediatric Pulmonary Function Testing and Sleep Labs. The PulmoTrack module connects to a PC wirelessly.



In a recent study conducted at the Department of Neonatology, Charité University Medical Centre, Berlin, Germany, wheezes were detected using the PulmoTrack® Model 2020. “....an instrument developed for continuous tracking and recording of breathing sounds and the detection of wheezing... Computerised wheeze detection is feasible during the first year of life. This method is more objective and can be more readily standardised than subjective auscultation, providing quantitative and non-invasive information about the extent of wheezing”.

Puder et al BMC Paediatrics 2014

This product suite opens up substantially more commercial opportunities in both the home/ambulatory market and in hospital and clinical settings.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows cash reserves of \$5.4 million. Our AirSonea product inventory of \$800,000 is being enhanced in advance of our clinical trial and commercialisation. iSonea has no debt and a stable and well-managed creditor position.

Our conservative accounting approach is demonstrated by resuming the 10 year amortisation of our core intellectual property assets and fully expensing the costs associated with the closure of our Oceanside operation. Further, all the R&D expenditure is being expensed rather than capitalised.

Our new focus on Australian based research and development supported by our skilled and experienced staff in Israel ensures we are getting optimum value for money while we are completing our improvements to our AirSonea product. This development expenditure will be eligible for assessment under the Federal Government R&D cash rebate programme that will further strengthen our financial position.

Leon L'Huillier - Chairman

Ph: + 61 (0)418 996 886

Looking Forward Statements

Certain statements made in this announcement are forward-looking statements. These forward looking statements are not historical facts but rather are based on iSonea's current expectations, estimates and projections about the industry in which iSonea operates, and its beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of developing technology and in the endeavour of building a business around such products and services. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of iSonea, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. iSonea cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of iSonea only as of the date of this release. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. iSonea will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.