

# iSonea Limited (formerly KarmelSonix)

(Ticker: ASX:ISN)

September 9, 2011

RB MILESTONE GROUP   
EQUITY RESEARCH AND MARKET INTELLIGENCE

Price (A\$):	0.019
Target Price (A\$):	0.044
Beta:	0.83
Price/Book Ratio:	2.98
Debt/Equity Ratio:	0.24
Listed Exchange:	ASX



## Recent News

31/08/2011: ISN signs MoU with global Fortune 500 healthcare company for the commercialization of ISN's technologies in the US.

10/08/2011: ISN receives shareholder approval to change name to iSonea Limited from KarmelSonix Limited.

12/07/2011: ISN appoints New York-based Viriathus Capital to complete the process of listing on the NASDAQ OTCQX.

14/06/2011: ISN appoints Mr. Michael Thomas as the new CEO.

03/05/2011: Omron Healthcare becomes exclusive distributor of WheezoMeters™ in multiple countries.

## Shares in Issue

1,080.5 M

## Market Cap

(A\$M) 20.53

52 Week (High): A\$0.035

52 Week (Low): A\$0.008

## Promising Technology in an Attractive Industry

iSonea Limited (ASX:ISN), formerly KarmelSonix Limited, is a Victoria, Australia-based company focused on developing and producing non-invasive medical devices as well as related solutions for monitoring and managing respiratory conditions such as asthma, Chronic Obstructive Pulmonary Disease (COPD), Obstructive Sleep Apnea (OSA) and associated disorders. The company's target customers include hospitals, clinics, ambulatory testing facilities and consumers across the US, Europe and the Asia Pacific region. ISN's PulmoTrack® testing technology is a breakthrough in managing asthma and COPD, which affects ~510 million worldwide, as its application does not require any cooperation or effort from the patient. This makes it more convenient for use with infants, children, disabled, and the elderly, compared to traditional tests such as spirometry. The company's products are also cost-effective with a personal Acoustic Respiratory Monitoring (ARM™) device costing significantly less than a spirometry test or a sleep study. With children and elderly comprising a significant proportion of the total asthma population, we believe ISN's products are poised to capture considerable market share in the global respiratory devices industry, which is expected to reach US\$7.1 billion by 2017.

In addition, ISN has recently signed a MoU with a Fortune 500 healthcare major (to be named by ISN at a later date) which focuses on US distribution, clinical development, and other non-dilutive investments into ISN. Further, the company has entered into a global distribution agreement with a subsidiary of Japan-based Omron Corp., one of the global leaders in medical device distribution. The company has also appointed distributors in countries such as India, South Korea, China, Indonesia and Australia. We believe these deals would enable the company to achieve substantive commercialization of its products across the globe, leading to the creation of significant revenue streams going forward.

The company has raised a total of US\$8.1 million in funding since FY10 to date. Its experienced leadership team and the company's upcoming listing on the NASDAQ OTCQX would facilitate availability of adequate capital for meeting the next stage of business expansion.

We have valued ISN on the basis of Relative Valuation and initiate coverage with a target price of A\$0.044/share, an upside potential of 130.3% from the last traded price of A\$0.019/share.

## Investment Arguments

- **ISN's Convenient and Cost-effective Technology.** The ISN Acoustic Respiratory Monitoring (ARM™) technology's primary advantage over conventional asthma diagnostic tests, such as spirometry, is that it does not require any cooperation or effort from the patient, thus making it highly convenient for children, the disabled and the elderly. ARM technology also provides a consistent, objective, and user-friendly means of monitoring respiratory symptoms – a crucial step in the successful management of asthma action plans. ISN's products, including its personal WheezoMeter™ and the clinical PulmoTrack®, are cost-effective, with the personal device costing ~A\$400 as compared with a typical spirometry test that costs ~A\$2,000 or a sleep study that costs ~A\$2,500. As children and the elderly account for ~40% (~10 million) of the total asthma population in the US alone, we believe ISN's products are poised to capture a significant market share in the respiratory device industry

- **Growing Asthma Market to Unlock Immense Opportunities.** The number of asthma patients worldwide is expected to reach ~400 million by 2025 from ~300 million in 2009, with the number of patients in the US alone growing to ~43.9 million by 2016. Driven by the immense demand, the global market for respiratory devices is expected to reach US\$7.1 billion by 2017 from US\$4.5 billion in 2010 with the US market alone growing to US\$4 billion from US\$2.4 billion over the same period. The market size underscores the considerable revenue generation opportunities that are waiting to be tapped by players such as ISN
- **ISN's Recent Partnerships to Boost Commercialization and Geographic Expansion.** In August 2011, ISN entered into a MoU with a global Fortune 500 healthcare company for the commercialization of ISN's technologies. The partnership will focus on substantive commercialization of the company's flagship product, the WheezoMeter™, in the US asthma monitoring and management market and would be later expanded to cover other countries. In May 2011, ISN signed a distribution agreement with a subsidiary of Japan-based Omron Corp., a global leader in medical devices with sales of ~US\$8 billion in FY10, to distribute WheezoMeters™ in multiple countries. Apart from the above agreements, during FY10 ISN also appointed distributors in countries such as India, South Korea, China, Indonesia, Australia and the US. We believe the strategic partnerships with global healthcare majors would enable ISN to achieve substantive commercialization and business expansion due to these recent deals
- **Impressive Fund Raising Record.** ISN has been able to consistently raise significant capital during vital stages of corporate development. The company raised A\$1.0 million and an equity drawdown facility of up to A\$7.2 million in FY09; A\$4.5 million in FY10; and another A\$3.6 million in FY11 through a combination of equity and debt. Moreover, ISN is also progressing well on its goal to list on the NASDAQ OTCQX which will, in turn, unlock additional fundraising opportunities. The impressive track record and its upcoming listing on the NASDAQ OTCQX gives us confidence that ISN would be able to secure adequate funds required for launching the next stage of product development and commercialization in the future
- **Highly Experienced Leadership to Drive Next Stage of Business Expansion.** ISN has recently restructured its leadership team by appointing new Directors and CEO. The new team has extensive experience in the healthcare and technology sectors; in the commercialization of various products; in multiple fund raisings; and in IPOs and M&A deals. We believe the new leadership team has the capability to accelerate ISN's expansion initiatives and transform the company into a significant player in the global respiratory devices market

## Company Overview

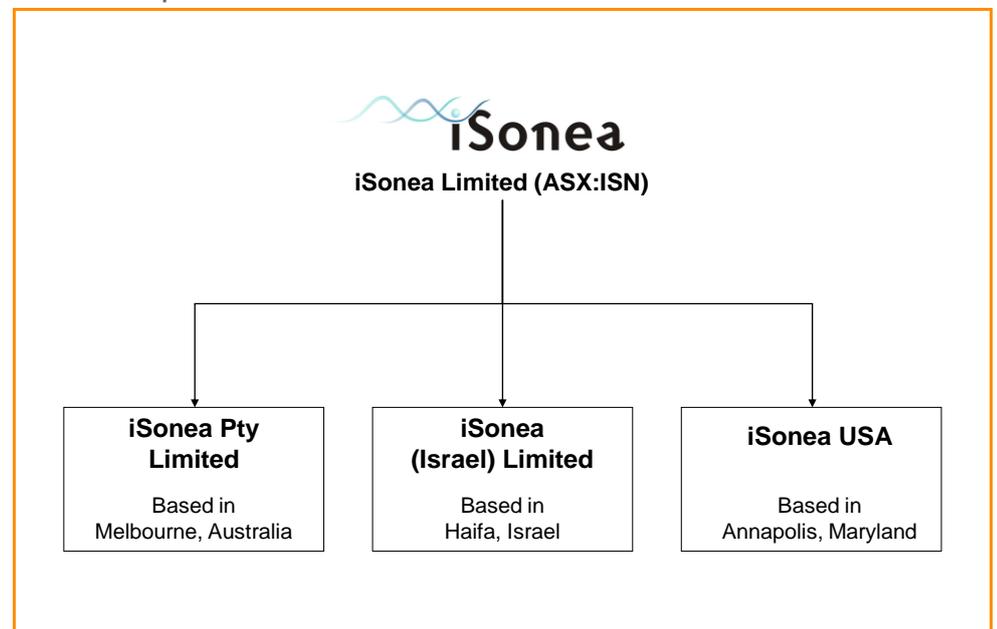
### Introduction

iSonea Limited (ASX: ISN), based in Armadale in Victoria, Australia, is the parent company of KarmelSonix (Israel) Limited (KSI), based in Haifa, Israel, and PulmoSonix Pty Limited (KSA), based in Elsterwick, Victoria. Both KSI and KSA are wholly owned subsidiaries of ISN. In November 2006, the company changed its name from Salus Technologies Limited (ASX:SAH) to KarmelSonix and started trading under the new ticker 'KSX'. On August 29, 2011, the company formally changed its name to 'iSonea Limited' and started trading under the new ticker 'ISN'.

ISN focuses on developing and producing non-invasive medical devices and related solutions for the monitoring and management of a wide range of respiratory conditions such as asthma, sleep apnea, emphysema and other associated disorders. The company offers its products through designated distributors to target customers spread across US, Europe and Asia Pacific, including hospitals, clinics, ambulatory testing facilities and home-based users. Currently, ISN undertakes assembly, test and quality control of all products at its facility based in Haifa, Israel while much of the sub-assembly manufacturing and securing of components is done in countries such as China and Vietnam.

ISN's core PulmoTrack<sup>®</sup> Acoustic Respiratory Monitoring (ARM) technology is based on a patented combination of sensors, signal conditioning hardware and signal processing algorithms for automatic detection and quantification of wheezes (a coarse, whistling sound produced in the chest while breathing due to blockage of respiratory airways), cough and respiration. The technology also isolates the inner-body signal against interferences from the noisy environments that are typically found in the background of Pulmonary Function Testing (PFT) laboratories. ISN's PulmoTrack<sup>®</sup> technology enables a definite diagnosis, an accurate assessment of control, and the long term follow-up associated with the management of asthma and other respiratory disorders, without the need for extensive patient cooperation. Due to its convenient and non-invasive features, the technology represents a significant breakthrough in managing respiratory conditions as it enables optimum patient care for young children and the elderly in scenarios where conventional PFTs, such as spirometry, are not feasible.

#### Exhibit 1 : Corporate Structure



Source: Company, RB Milestone

## Products

ISN has leveraged its core PulmoTrack<sup>®</sup> patented technology to bring to the market an array of products aimed at providing effective solutions for major aspects of asthma management, including mild to severe cases, to hospital and home-based users that include the young and old, as well as exercise-induced and nocturnal asthma (awake to asleep asthma) sufferers.

### PulmoTrack<sup>®</sup> Respiratory Acoustic Monitor System

The PulmoTrack<sup>®</sup> Respiratory Acoustic Monitor system is comprised of two acoustic sensors attached to the skin over the trachea and chest with disposable acoustic insulating adhesive pads; a pneumograph belt sensor for documenting breathing activity; and an ambient microphone to filter out background environment noises. The system's patented software detects wheezes by utilizing advanced algorithms that apply strict criteria to determine the presence of wheezing, as defined by CORSA (Computerized Respiratory Sound Analysis) guidelines.

The system enables continuous monitoring of wheezes even in cases without patient cooperation, which is especially beneficial for children, the disabled and the elderly. In addition to recording each wheeze, PulmoTrack<sup>®</sup>'s innovative features also offers wheeze by wheeze identification; accurate measurement of wheeze rate; respiratory rate and inspiratory to expiratory time (I/E) ratio; classification of wheezes as inspiratory or expiratory; and cough counting.

The PulmoTrack<sup>®</sup> system won the 2009 European Asthma Monitoring Product Innovation of the Year Award from Frost & Sullivan due to the relatively quick, easy and non-invasive features of the system that monitors wheezing and coughs continuously without the need for active patient cooperation. The system is considered as the best alternative asthma management tool for patients who are not able to undergo spirometry tests.

#### Exhibit 2 : PulmoTrack<sup>®</sup> Respiratory Acoustic Monitor System



Source: Company Reports

The **Wireless PT** is an add-on option to the PulmoTrack<sup>®</sup> system to facilitate ease of use and to reduce the cost of manufacturing. The regulatory process of the Wireless PT is by "letter-to-file" amendment of the technical file (self registration). This product was launched in September 2009.

**CoughCOUNT™**. The PulmoTrack-CC is an optional patented software application that can be used as part of the PulmoTrack<sup>®</sup> Acoustic Respiratory Monitor (ARM) or with the WHolter™ recorder. For data acquisition, the PulmoTrack-CC uses the same sensors and

hardware as the PulmoTrack<sup>®</sup> and the WHolter. The application detects Cough Events which are either single or multiple Component Coughs as well as individual components. The PulmoTrack-CC is intended for detecting, counting and recording coughs in patients when there is a need for objective documentation of the presence of cough in unrestricted environments.

### The Personal WheezoMeter™

ISN's flag-ship product, the Personal WheezoMeter™, is a handheld device for home use. When the device is placed on the neck, with its sensor over the trachea, it picks up breathing sounds and determines if wheezes are present. A 30-second determination indicates the momentary wheeze rate. Should it be high, the patient (or accompanying parent) is instructed to seek medical help. The prototype Personal WheezoMeter™ was initially launched in San Diego, US in May 2009 while the production WheezoMeter™ was launched in Vienna, Austria in September 2009.

The product has already received European CE Mark clearance and Australian TGA approval for sale in those respective regions. Currently, the WheezoMeter™ product line includes the Clinical WheezoMeter™ model, two Personal Wheezometers™ (adult and child) models and retrieval software.

#### Exhibit 3 : Demonstration of a Personal WheezoMeter™



Source: Company Reports

The WheezoMeter™ can be used by physicians, nurses, technicians and paramedics as well as patients and caregivers. It is based on ergonomic human-interfacing principles as dictated by functional and anatomical requirements, all within a state-of-the-art design. The innovative features of the device enabled it to win Frost & Sullivan's 2010 North American Patient Monitoring Emerging Markets New Product Innovation of the Year Award, an award which in the past has helped companies and products become globally successful.

### WHolter™

The WHolter™ is a 24 hour ambulatory digital data-logger/ recorder. The device is intended to be used for tracking wheezing and coughing and for the evaluation of nocturnal asthma, occupational asthma and persistent cough in the patient's own allergen environment. The device comprises a data logger recording unit with a 24 hours digital recording capacity to store continuous information from two PPG (phonopneumograph) sensors, a pneumogram belt and an ambient microphone. The product also includes a check-in/check-out software

that allows registering of a patient when the device is dispensed; the upload of the recorded data to the computer; and the preparation of the unit for the next patient. Analysis of the data collected by the device is performed by the PulmoTrack<sup>®</sup> software package sold separately or as part of a PulmoTrack-WHolter system.

Typically, a physician prescribes a test to an asthma patient that needs to be conducted by using the WHolter<sup>™</sup> device. The patient then approaches an authorized agent who dispenses a WHolter<sup>™</sup> recording unit (purchased from ISN) for overnight/24 hour use by the patient at home.

**Exhibit 4 : A WHolter<sup>™</sup> Device in Use**



Source: Company Reports

The device received clearance from the US FDA in July 2010 after which it was assigned a CPT (Current Procedural Terminology) Category III code by the American Medical Association. The company will be conducting additional clinical studies to enable the AMA to award a Category I CPT code, which allows users to receive reimbursements from US insurance carriers as well as the US government funded payer, Medicare.

### Other Products

#### The WIM-GER<sup>™</sup>



This product is a combination of the WHolter<sup>™</sup> device of ISN and the ZepHr Impedance and pH monitor of Sandhill Scientific Inc. of Denver, Colorado. The JV resulted from a ISN-sponsored study that revealed the relationship between asthma and cough, as well as the relationship between asthma and Gastro-Esophageal Reflux (GER) disease. GER is a disease in which contents of the stomach (food or liquid) leak backwards from the stomach into the esophagus (the tube from the mouth to the stomach) leading to mucosal damage.

#### The ASAM<sup>™</sup>

The Acoustic Severe Asthma Monitor (ASAM<sup>™</sup>) is a novel continuous monitor for minute-by-minute assessment of a person suffering from severe asthma incidents, which typically in an ambulance, emergency rooms, intensive care units (ICU), and during recovery in pediatric or internal medicine wards. The device combines the wheeze detection core technology, PulmoTrack<sup>®</sup>, and the advanced active acoustics technology developed by ISN's Australian subsidiary.



## Business Model

ISN generates revenue by focusing primarily on the asthma management market and associated respiratory markets across the global medical devices industry. The company sells its products, through designated distributors, to clinical laboratories; multi-specialty clinics; physicians; sleep laboratories; and to pediatricians and pulmonologists. Currently, ISN has 23 distributors across the globe including 12 in Europe; five in Asia; four in the US; and one each in Australia and Canada. Further, ISN has recently signed a MoU with a global Fortune 500 healthcare company for the commercialization of ISN's technologies in the US, while in May 2011 the company entered into an agreement with US-based Omron Healthcare, a subsidiary of Japan-based Omron Corp., for distribution of ISN's products in multiple countries.

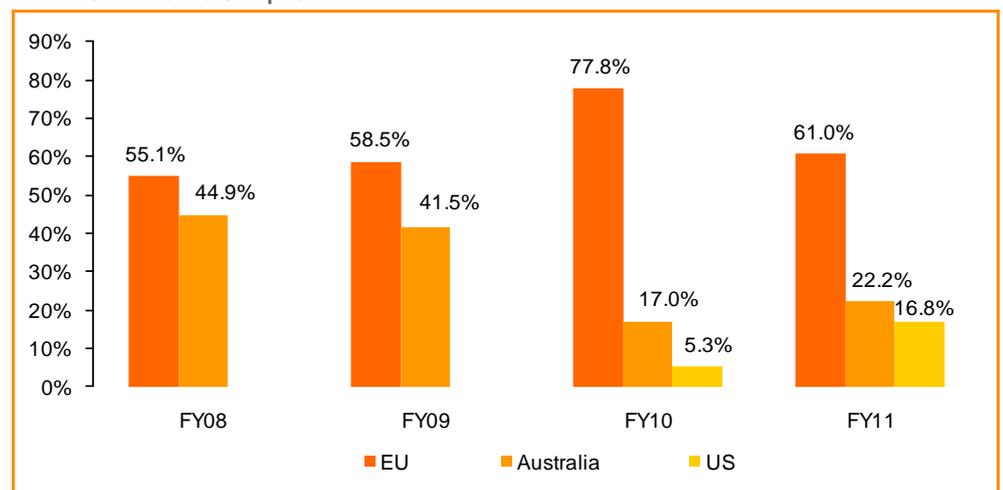
ISN also generates revenue in the US through third-party reimbursements from medical service providers and medical reimbursement specialists, as some of its products have received CPT Category III codes. The company has recently started another revenue model in the US based on offering home testing services, from which it gets reimbursements by third party insurers, possibly leading to up to US\$350 per test per night. The company currently has 11 testing sites spread across the US.

## Segments

ISN's operations are primarily focused on the EU, US and Australian markets which currently generate a predominant share of the company's revenues. The company reports operational performance under the following geographic segments:

- EU.** The EU is the largest contributor to ISN's revenues and generated 61% of sales during FY11. In the EU, the company sells its products to central clinical laboratories; multi-specialty clinics; sleep laboratories; and pediatricians and pulmonologists through its designated distributors.
- US.** Revenue contribution from the U.S. has jumped from just 5.3% in FY10 to a significant 16.8% in FY11 with the company recently signing four distributors, namely Recovery Medical (covering IL and WI); Nightingale-Alan Medical (covering OH, MI, IN, KY, TN, WV and PA); Wayne Morrill Group (covering OK, TX, LA and AR); and Medical Surgical Electronics (covering MN, ND, SD, NE and IA).
- Australia.** This segment contributed 22.2% of the company's revenues during FY11 with Clear Sales Australia Pty Limited being the company's key distributor in the region.

Exhibit 5 : Revenue Composition



Source: Company Reports, RB Milestone

## Significant Achievements

ISN's significant milestones since FY07 include the rapid development and commercialization of its PulmoTrack<sup>®</sup>, WheezoMeter<sup>™</sup> and WHolter<sup>™</sup> systems and the signing of a number of distribution agreements in target markets. The company has also been able to raise funds successfully during vital stages of corporate development.

### Exhibit 6 : Major Milestones

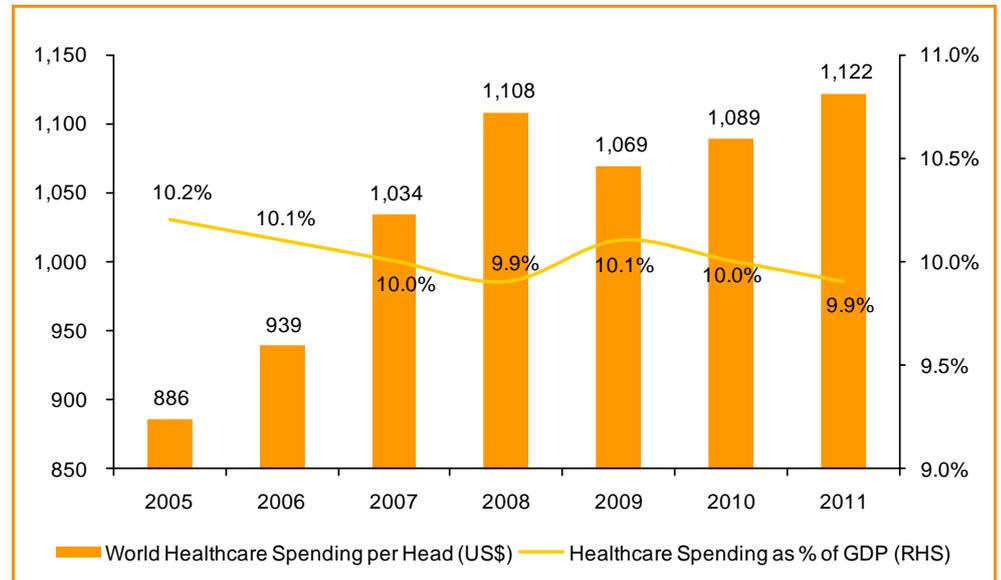
Nov 2006	Name changes to KarmelSonix Limited from Salus Technologies Limited.
Aug 2007	Raises A\$5.5 million through placement of new ordinary shares.
Nov 2007	PulmoTrack <sup>®</sup> receives US FDA approval.
Dec 2007	Signs first commercial and development agreement with Sandhill Scientific.
Jan 2008	Receives the European CE Mark for PulmoTrack <sup>®</sup> .
Mar 2008	PulmoTrack <sup>®</sup> receives Australian regulatory approval from TGA.
Apr 2008	US patent is granted to PulmoSonix Pty Limited.
Jun 2008	Receives A\$900k grant for a JV with Sandhill Scientific.
Aug 2008	Secures an equity drawdown facility of up to A\$7.2 million including a loan facility of up to A\$1.0 million.
Jan 2009	WheezoMeter <sup>™</sup> receives the European CE Mark.
Feb 2009	Raises A\$1.0 million through a placement of ordinary shares with options, partly paid shares and redeemable preference shares.
Apr 2009	PulmoTrack <sup>®</sup> wins the 2009 European Asthma Monitoring Product Innovation of the Year Award from Frost & Sullivan.
May 2009	Receives Australian TGA approval for WheezoMeter <sup>™</sup> .
Dec 2009	Secures funding of A\$4.5 million through successful placement of shares.
Apr 2010	European CE Mark is granted to the WHolter <sup>™</sup> device.
Apr 2010	Signs distribution agreements in the US.
Jun 2010	Announces launch of WHolter Home Service in the US.
Jul 2010	WheezoMeter <sup>™</sup> receives US FDA approval.
Oct 2010	Raises A\$2 million via issuance of convertible notes.
Nov 2010	WheezoMeter <sup>™</sup> wins Frost & Sullivan's 2010 North American Patient Monitoring Emerging Markets New Product Innovation of the Year Award.
Nov 2010	Signs agreements with various European distributors.
Mar 2011	Raises A\$1.6 million through private placement and moves to list on NASDAQ OTCQX.
Mar 2011	Announces launch of JV for at-home monitoring of nocturnal asthma in Australia.
Mar 2011	Announces launch of home testing in Australia.
May 2011	Omron Healthcare becomes exclusive distributor of WheezoMeters <sup>™</sup> in multiple countries.
Jun 2011	Appoints Mr. Michael Thomas as the new CEO.
Jul 2011	Appoints New York-based Viriathus Capital to complete the process of listing on the NASDAQ OTCQX.
Aug 2011	Receives shareholder approval to change company name to iSonea Limited.
Aug 2011	Signs MoU with a global Fortune 500 healthcare company for the commercialization of ISN's technologies in the US.

Source: Company Reports, RB Milestone

## Industry Overview

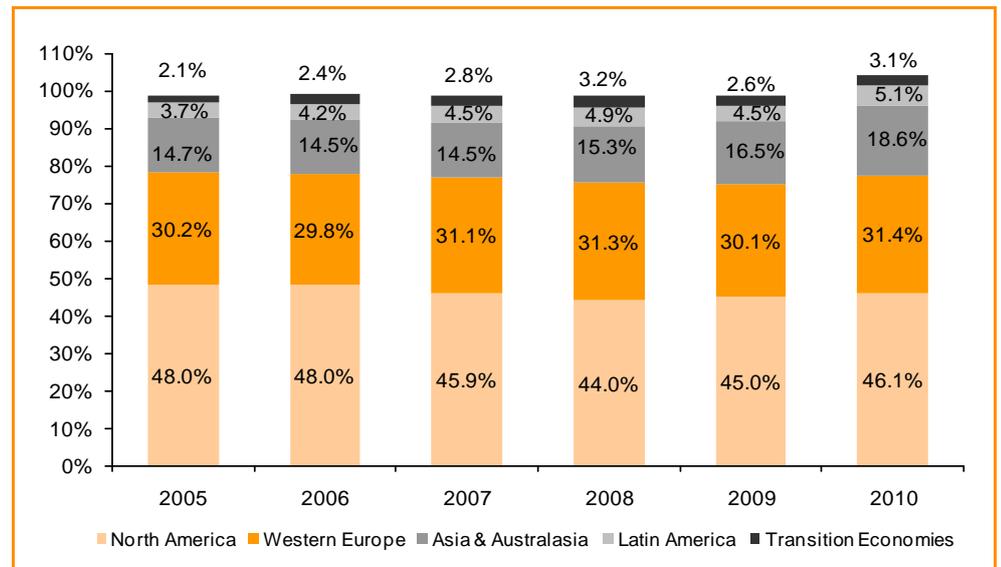
According to the Economist Intelligence Unit (EIU), worldwide healthcare spending was estimated to be US\$5.5 trillion in 2009 representing ~10% of global GDP. EIU forecasts that global healthcare spending per capita is expected to surge to an all time high of US\$1,122 in 2011, compared to US\$886 in 2005. As per geographic distribution, North America has been the clear leader in healthcare spending, followed by Western Europe. Asia & Australia are gradually emerging as major markets in the healthcare space.

**Exhibit 7 : World Healthcare Spending Per Capita and as % of GDP**



Source: Economist Intelligence Unit estimates sourced from Turkish Healthcare Industry Report by Deloitte, RB Milestone

**Exhibit 8 : World Healthcare Spending by Geography**



Source: Economist Intelligence Unit estimates sourced from Turkish Healthcare Industry Report by Deloitte, RB Milestone

## Obstructive Lung Diseases: Asthma and COPD

According to the U.S. National Library of Medicine, both asthma and Chronic Obstructive Pulmonary Disease (COPD) fall under the Obstructive Lung Disease category. Asthma is a chronic disease, which usually involves recurrent attacks of breathlessness and wheezing that differ in severity and frequency from one individual to another. COPD refers to a lung disorder (a combination of chronic bronchitis and emphysema) that is characterized by a persistent blockage of airflow from the organ.

**Exhibit 9 : Obstructive Lung Diseases**

Condition	Major Physical Changes	Causes	Symptoms
Asthma	Smooth muscle hyperplasia and excessive mucus and inflammation	Pet hair or dander; dust; changes in weather; chemicals; exercise; mold; pollen; stress; tobacco smoking, etc.	Episodic wheezing, cough and dyspnea
Chronic bronchitis	Hyperplasia and hypersecretion of mucus glands	Tobacco smoking and air pollutants	Productive cough
Emphysema	Airspace enlargement and wall destruction	Tobacco smoking	Dyspnea
Bronchiectasis	Dilation and scarring of airways	Persistent severe infections	Cough, purulent sputum and fever

Source: U.S. National Library of Medicine, Table 13-2 in: Mitchell, Richard Sheppard; Kumar, Vinay; Abbas, Abul K.; Fausto, Nelson (2007). Robbins Basic Pathology: With Student Consult Online Access. Philadelphia: Saunders, RB Milestone

The World Health Organization (WHO) estimates that ~510 million people across the globe suffer from Obstructive Lung Diseases such as asthma and COPD (Chronic Obstructive Pulmonary Disease), including ~100 million in the developed world, with the prevalence of the diseases on the rise. According to BCC Research, global sales of asthma and COPD drugs was worth an estimated US\$26 billion in 2009 and is projected to reach US\$31 billion by 2014 (CAGR of 3.3%). New York-based business intelligence firm GlobalData expects the global respiratory devices market to reach US\$7.1 billion by 2017 from US\$4.5 billion in 2010 (CAGR of 7%).

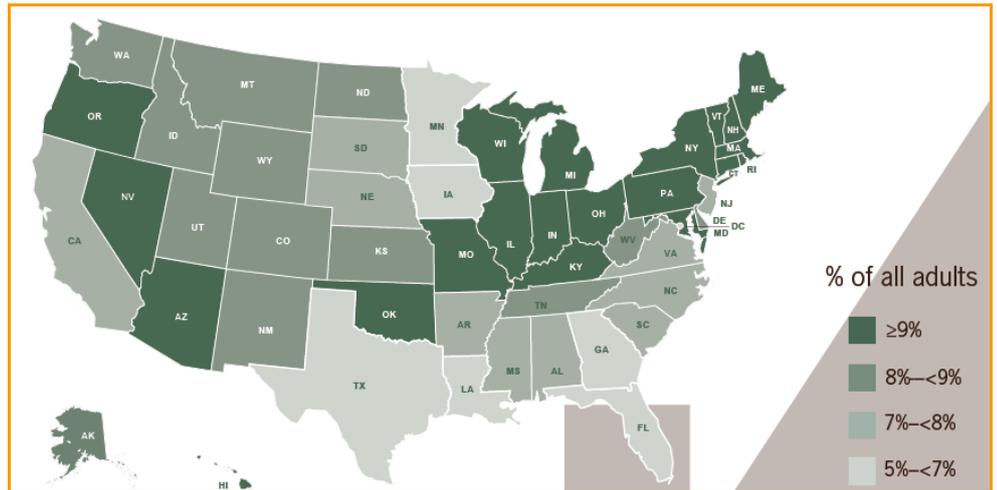
### Asthma Market – A Snapshot

According to WHO estimates, currently there are approximately 300 million patients suffering from asthma across the globe, with ~250,000 annual deaths attributable to the disease. The agency expects the number of asthmatics worldwide to swell to 400 million by 2025, with proportion of urban population to total population increasing to 59% by 2025.

In Europe, the Global Initiative for Asthma (GINA) estimates that approximately 32 million people have asthma out of which 6 million have severe asthma symptoms. The total cost of asthma in Europe is ~€17.7 billion (~US\$21.6 billion) per year, according to the European Respiratory Society and the European Lung Foundation, with outpatient costs contributing the highest (~€3.8 billion or ~US\$4.6 billion), closely followed by expenses related to anti-asthma drugs (~€3.6 billion or ~US\$4.4 billion).

In the US, there were 24.6 million asthma patients in 2009 compared with 20.3 million in 2001, according to Centers for Disease Control and Prevention (CDC), while the prevalence of asthma in the country increased to 8.2% from 7.3% over the same period. Frost & Sullivan expects that the gradual increase in the prevalence would cause the number of asthma/COPD patients in the US to reach an estimated 43.9 million by 2016.

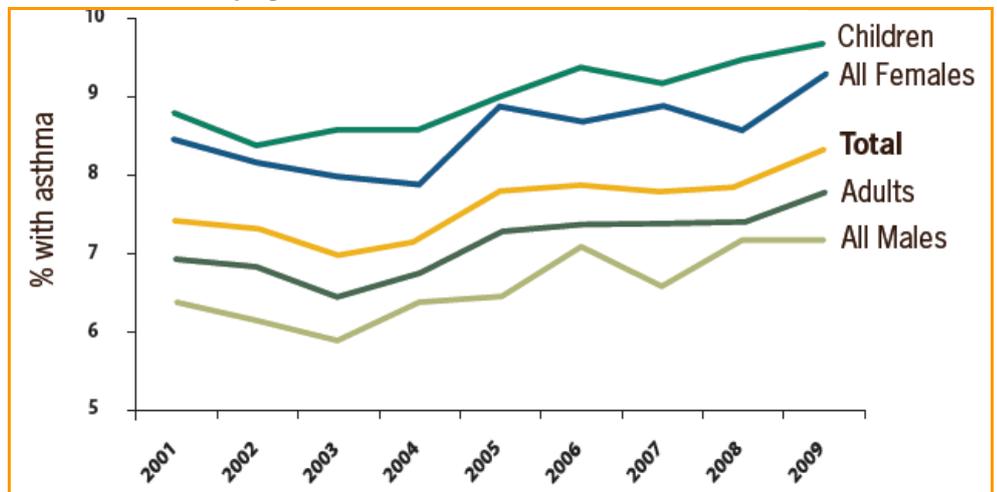
Exhibit 10 : Asthma Prevalence in the US



Source: Behavioral Risk Factor Surveillance System, 2009, Centers for Disease Control and Prevention

In the US, children are at the highest risk of contracting asthma with prevalence of the disease increasing by 420 bps to 9.7% in 2009 from 5.5% in 2004.

Exhibit 11 : Asthma by Age and Sex in the US



Source: National Health Interview Surveys, Centers for Disease Control and Prevention

The CDC has reported that asthma related costs (including economic cost) in the US rose to ~US\$56 billion in 2007 from ~US\$53 billion in 2002, recording a growth of 6%. On average, asthma costs the US ~\$3,300 per asthmatic person from 2002 to 2007 in medical expenses, missed school and work days, and early deaths.

## Spirometry vs. Acoustic Respiratory Monitoring (ARM™)

According to GINA, asthma and COPD are typically diagnosed through a patient’s symptoms and medical history. In order to diagnose the diseases, doctors take measurements of lung function to assess the severity, reversibility and variability of airflow limitation. The measurements are known as Pulmonary Function Tests (PFTs) and, of these, the most commonly prescribed PFT is spirometry.

The spirometry test is performed using a device called a spirometer. Typically, a patient is instructed to take the deepest breath possible and then forcibly exhale into the sensor of the device as hard and for as long as possible, preferably for at least six seconds. The test is at times immediately followed by a rapid inhalation, particularly when assessing possible upper airway obstruction. The test is used to measure FEV<sub>1</sub> (Forced Expiratory Volume in 1 second), which refers to amount of air that can be exhaled from the lungs in the first second

of a forced exhalation. The measure is considered as the global benchmark for diagnosing asthma/COPD through spirometry.

**Exhibit 12 : Spirometers – Conventional and Modern (right)**



Source: Advanced Medical Engineering, Collins Medical, RB Milestone

One of the major limitations of the spirometry test is that it is highly dependent on patient cooperation and effort and is normally repeated at least three times to ensure reproducibility. As a result, spirometry can only be performed on children old enough to comprehend and follow the instructions given (6 years old or more) and only on patients who are able to understand and follow instructions - thus, this test is not suitable for patients who are unconscious, heavily sedated, or have limitations that would interfere with vigorous respiratory efforts. Another major disadvantage is the fact that many intermittent or mild asthmatics have normal spirometry between acute exacerbation (sudden worsening of symptoms), which limits spirometry's usefulness as a diagnostic test.

### **Advantage ARM™ Technology**

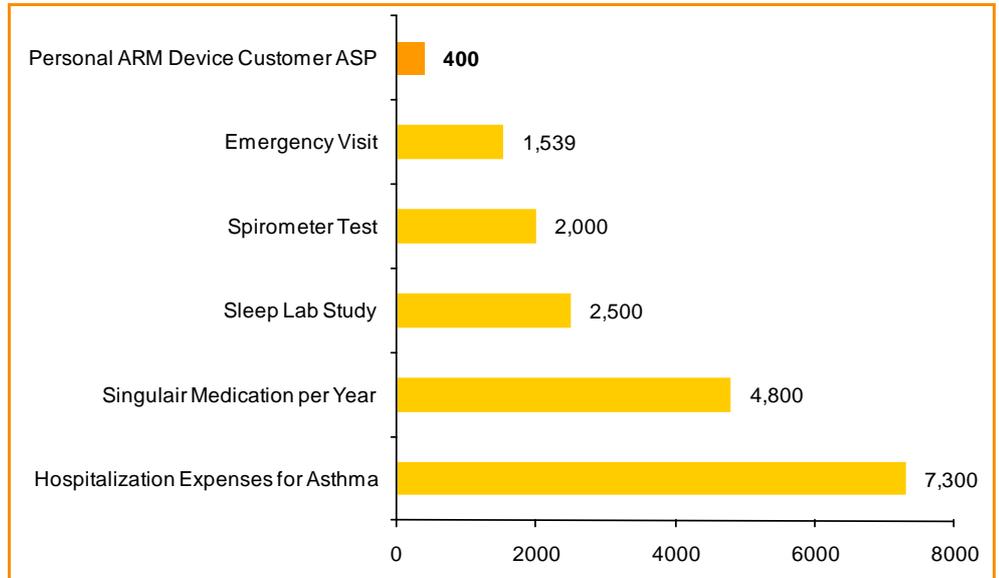
In contrast to spirometry, devices based on ARM technology utilize sophisticated acoustic sensors attached to the skin and patented algorithms to accurately identify wheezing and coughing sounds originating from the thorax and trachea (through a measure called WheezeRATE™). The technology does not require any cooperation or effort from the patient. This makes the devices using the technology highly convenient for children, the disabled and the elderly who are unable to perform traditional spirometry that entails forceful exhalation into a sensor. Further, various clinical studies have indicated that WheezeRATE has a high degree of correlation with FEV<sub>1</sub>, which is considered the global benchmark for the diagnosis of asthma and COPD.

A vital component of a successful asthma management plan includes consistent tracking and reporting of symptoms and response to therapy. ARM technology provides patients and families with an objective, convenient, and easy-to-use alternative to spirometers and peak flow meters, enabling accurate monitoring in home, school, or work settings for the first time.

Globally, the percentage of elderly population (more than 60 years) old is growing with a United Nations (UN) report, predicting that age group to comprise 21% of worldwide population by 2050, compared to 10% in 2000. The total number of elderly is forecasted to reach 2 billion by 2050, almost triple that the amount in 2000. Annual growth of the age group is already the highest at 2% among all age groups and is expected to grow even further to reach 2.8% during 2025-30. As the elderly are usually at a higher risk of contracting asthma/COPD, it presents a huge opportunity for players offering management of respiratory conditions through convenient solutions such as ARM.

Apart from its convenience related advantages, ARM is also significantly more cost effective as compared to spirometry tests, sleep laboratory studies and emergency visits, as shown below.

**Exhibit 13 : Cost Effectiveness of ARM™ vs. Other Asthma Management Solutions (in A\$)**



Source: Consumer Health Ratings 2007, RB Milestone

Note: ASP = average selling price.

Consequently, we expect that in the near future a significant proportion of patients seeking both convenient and cost-effective management of asthma/COPD will switch from conventional spirometry to solutions such as ARM offered by ISN. With the global respiratory devices market set to reach US\$7.1 billion by 2017 from US\$4.5 billion in 2010, we believe this offers a huge potential market for companies providing ARM solutions.

## Growth Drivers

### ISN's Convenient and Cost-effective Technology Provides Competitive Advantage

ISN's products are based on PulmoTrack<sup>®</sup>, which is a convenient and non-invasive ARM technology that enables effective asthma management via detection and quantification of wheezes, cough and respiration. The primary advantage of the PulmoTrack<sup>®</sup> technology is that it does not require any cooperation or effort from the patient, making them highly convenient for children, the disabled and the elderly who are unable to perform conventional PFTs, such as spirometry, that involve forceful exhalation into a sensor and significant patient cooperation. Further, the measure used by PulmoTrack<sup>®</sup>, called WheezeRATE, is considered equivalent to FEV<sub>1</sub>, which is the global benchmark measure for diagnosing asthma/COPD through spirometry and other PFTs.

ISN's products are also cost-effective compared to other respiratory management solutions, with a personal ARM device costing approximately A\$400 as compared to a spirometry test that costs ~A\$2,000 or a sleep study which costs ~A\$2,500. With children and the elderly accounting for ~40% of the total asthma population in the US alone, we believe ISN's convenient and cost-effective products are poised to garner a considerable market share in the global respiratory industry.

### Strategic Partnerships and JVs to Accelerate Commercialization and Geographic Expansion

In August 2011, ISN entered into a MoU with a global Fortune 500 healthcare company for the commercialization of ISN's technologies. The partnership will initially focus on commercial fast tracking of ISN's flagship product, the WheezoMeter<sup>™</sup>, in the US asthma monitoring and management market and later expand to other countries. In May 2011, ISN signed an agreement with Omron Healthcare, which will exclusively distribute ISN's WheezoMeter<sup>™</sup> in multiple countries. US based Omron Healthcare is a subsidiary of Japan based Omron Corp., which is one of the global leaders in the medical devices industry with revenues of ~US\$8 billion in FY10. The strategic agreements provide ISN access to the formidable distribution networks of its partners and effectively penetrate the US\$4.5 billion global respiratory devices market.

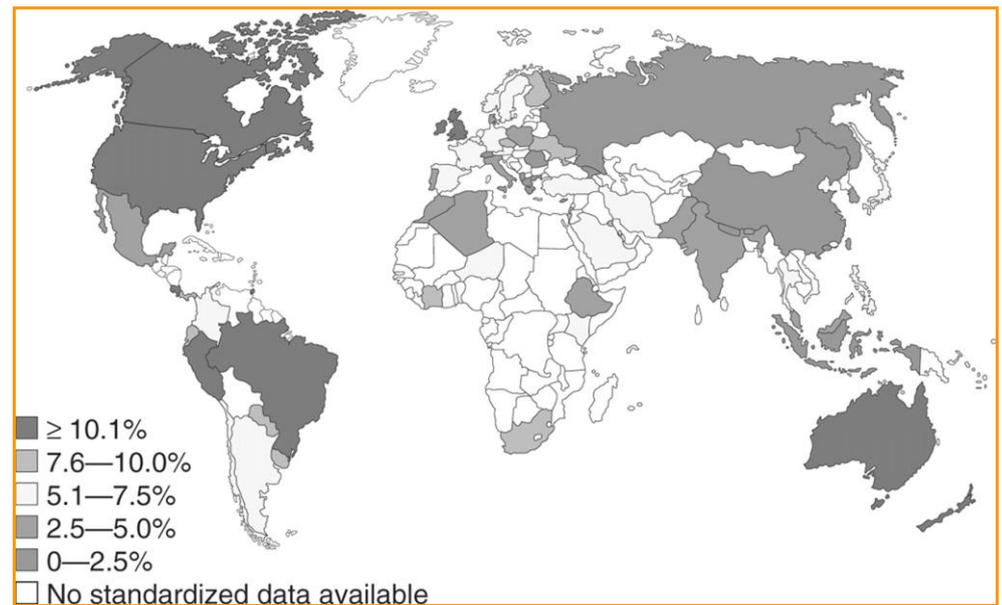
In addition to the above partnerships, during FY10 ISN also signed a number of deals with standalone distributors in countries such as India, South Korea, China, Indonesia, Australia and the US, which would further enable the company to undertake rapid commercialization of its products.

We believe the strategic agreements with global healthcare majors and other distributors, as well as similar partnerships that ISN is expected to enter into in the near future, would enable the company to accelerate commercialization of its products, resulting in significant revenue streams going forward.

### Bourgeoning Asthma Market to Offer Immense Opportunities

Rapid changes in lifestyle coupled with an aging population, especially in developed economies, have led to increased incidence of asthma and COPD diseases across the globe. This, in turn, has provided companies such as ISN with a huge market opportunity. Currently, ~300 million patients are suffering from asthma worldwide and WHO expects the number to reach 400 million by 2025. According to a report published by GINA in 2004, the prevalence of asthma is high, especially in developed countries such as the U.K. (>15%); New Zealand (15.1%); Australia (14.7%); Ireland (14.6%); Canada (14.1%); and the US (10.9%) leading the group.

Exhibit 14 : Global Prevalence Of Asthma



Source: GINA report

The US remains the largest market for players in the respiratory industry with approximately 40 million patients diagnosed with either asthma or COPD in 2009, a number which will reach ~43.9 million by 2016, according to Frost & Sullivan. The US market for respiratory devices, which was worth US\$2.4 billion in 2010, is forecasted to reach US\$4 billion in 2017, as per GlobalData. Consequently, we believe that ISN with its innovative ARM technology is in a solid position to capture a significant share in the respiratory devices industry going forward.

### Excellent Fund Raising Track Record

ISN has an impressive track record of raising significant capital through a combination of equity and debt facilities at crucial stages of product development and commercialization. During FY09, the company secured an equity drawdown facility of up to A\$7.2 million and raised A\$1.0 million through a placement of shares with options. In FY10, ISN secured A\$4.5 million via equity, while in FY11 the company raised a combined A\$3.6 million through a private placement of shares and convertible notes. Moreover, ISN is also progressing well on its goal to list on the NASDAQ, which will unlock additional fundraising opportunities. Consequently, we believe ISN would secure adequate funds in the future as well, which will help the company to launch the next stage of commercialization and undertake further product development.

### Strong Leadership to Drive Next Stage of Growth

ISN has recently restructured its Board and has appointed a new CEO with a vision to build a strong and highly experienced leadership team. Mr. Michael Thomas, who assumed the role of CEO in June 2011, has more than 22 years of experience in the healthcare industry. He has successfully raised a total of ~A\$100 million in equity during his career and has been involved in venture capital start-ups, IPO and M&As. Further, the new directors also have extensive experience in the healthcare and technology sectors; in the successful commercialization of various products; in multiple fundraisings; and in IPOs and M&A deals. We believe the new leadership team has the wherewithal to accelerate ISN's commercialization initiatives and expansion plans and will be able to drive the company's transformation into a leading player in the global respiratory devices market.

## SWOT

### Strengths

- ISN's ARM™ technology is more convenient and cost-effective as compared to conventional asthma/COPD management solutions
- The company's products have already received US FDA approval, European CE Mark approval and Australian regulatory approval from TGA
- ISN has robust R&D and technological capabilities which is underscored by the regular launch of new innovative devices and product enhancements such as the recent launch of the Personal WheezoMeter™; of three new versions of the PulmoTrack® core software; and of a pulse oximeter option for the WHolter™
- ISN has strengthened its balance sheet by raising convertible notes of A\$2.0 million and another A\$1.6 million through a private placement during FY11. The fund raisings would enable the company to accelerate commercialization of its products in target markets
- The company has a new, strong management team with extensive experience in the global respiratory market

### Weaknesses

- The company has been in the red since inception
- ISN is currently in the early stages of commercialization and its products are yet to achieve significant acceptance in the global respiratory industry

### Opportunities

- Rollout of WHolter™ home testing services in the US and Australia would enable ISN to establish additional revenue streams
- The company is planning to list on the NASDAQ, which is likely to open up additional avenues for fund raising
- The company's products and technologies will be coveted by many of the acquisitive Fortune 500 healthcare firms that are interested in expanding their reach into the innovative respiratory monitoring markets via the company's ARM technologies

### Threats

- The global respiratory devices industry is highly fragmented and competition is intense, which may affect ISN's growth prospects especially during unfavorable market conditions
- An unfavorable change in federal regulations could restrict ISN's ability to market its products due to health concerns

## Latest Financial Results

Exhibit 15 : Annual Income Statements

Australian \$	Year Ended Jun 30, 2011	Year Ended Jun 30, 2010	YoY%
<b>Revenue</b>	<b>332,087</b>	<b>348,493</b>	<b>-4.7%</b>
Cost of Goods Sold	(239,770)	(269,886)	-11.2%
<b>Gross Profit/ (Loss)</b>	<b>92,317</b>	<b>78,607</b>	<b>17.4%</b>
Other Income	126,690	184,568	-31.4%
Amortization Expenses	(173,801)	(177,299)	-2.0%
Consulting, Employee and Director Expenses	(2,372,038)	(1,895,903)	25.1%
Corporate Administration Expenses	(830,278)	(820,600)	1.2%
Depreciation Expenses	(49,247)	(77,613)	-36.5%
Marketing and Promotion Expenses	(1,651,273)	(1,289,638)	28.0%
Research and Development Expenses	(1,404,785)	(1,450,373)	-3.1%
Travel and Entertainment Expenses	(414,896)	(491,510)	-15.6%
<b>Loss Before Income Tax</b>	<b>(6,677,311)</b>	<b>(5,939,761)</b>	<b>12.4%</b>
Income Tax	-	-	-
Net Profit/ (Loss)	(6,677,311)	(5,939,761)	12.4%
Exchange Differences on Translation of Foreign Operations	100,034	(59,019)	-
<b>Total Comprehensive Income/ (Loss)</b>	<b>(6,577,277)</b>	<b>(5,998,780)</b>	<b>9.6%</b>
<b>Basic and Diluted EPS (in Cents)</b>	<b>(0.85)</b>	<b>(0.92)</b>	<b>-7.6%</b>

Source: Company Filings, RB Milestone

ISN posted a 4.7% y-o-y decline in revenues to A\$332,087 during FY11, while cost reductions related to the WheezoMeter™ enabled the company to reduce COGS by 11.2% y-o-y resulting in a 17.4% growth in gross profit to A\$92,317 in FY11. However, the company recorded significant increases in consulting, employee and corporate administration expenses as well as marketing and promotion expenses during FY11, which led to a higher comprehensive loss of A\$6.6 million compared with a loss of A\$6.0 million in FY10.

During FY11, ISN raised A\$2.0 million through the issue of convertible notes and options. The notes carry an interest rate of 6.5% and were converted after six months from the date of issue, i.e. October 20, 2010. The company also raised A\$1.6 million in the period through a private placement of 100 million shares at A\$0.016 each with attaching options on a 1:2 basis. The fund raisings have enabled the company to swiftly execute its expansion plans in major respiratory markets such as the US, Europe and Japan as well as initiate the next stage of corporate development.

## Valuation & Investment View

We have valued ISN on a relative valuation basis using both Price/Sales and EV/EBITDA. We have used a set of global Medical Device companies with positive EBITDA to arrive at median EV/Sales and EV/EBITDA multiples.

**Exhibit 16 : Medical Device Companies Globally with Positive EBITDA**

Company	Market Capitalization	EV	Revenue (LTM)	EBITDA (LTM)	EV/Sales	EV/EBITDA
Healthstream Inc.	\$255.41	\$230.71	\$74.84	\$13.80	3.1x	16.7x
The Spectranetics Corporation	\$195.79	\$162.50	\$126.73	\$13.71	1.3x	11.9x
Vascular Solutions Inc.	\$189.34	\$174.90	\$85.47	\$14.12	2.0x	12.4x
Oridion Systems Ltd.	\$171.25	\$163.73	\$60.33	\$10.81	2.7x	15.1x
Sewoon Medical Co. Ltd.	\$167.17	\$170.88	\$33.90	\$6.73	5.0x	25.4x
Bionime Corporation	\$153.75	\$140.51	\$43.10	\$8.30	3.3x	16.9x
WOM World of Medicine AG	\$142.80	\$132.33	\$55.45	\$8.30	2.4x	15.9x
Synergetics USA, Inc.	\$130.47	\$116.00	\$55.81	\$9.04	2.1x	12.8x
Dynamic Medical Technologies Inc.	\$121.01	\$115.46	\$33.74	\$6.94	3.4x	16.6x
Biospace Co.	\$95.33	\$78.66	\$21.78	\$3.99	3.6x	19.7x
Create Medic Co. Ltd.	\$93.09	\$57.75	\$110.13	\$15.60	0.5x	3.7x
Utah Medical Products Inc.	\$88.54	\$107.04	\$29.99	\$11.41	3.6x	9.4x
Daiken Medical Co. Ltd.	\$86.50	\$88.40	\$77.40	\$15.84	1.1x	5.6x
Solta Medical Inc.	\$85.41	\$59.08	\$111.86	\$4.44	0.5x	13.3x
Apex Medical Corp.	\$84.30	\$71.90	\$50.20	\$7.80	1.4x	9.2x
Medi-Stim ASA	\$75.91	\$71.30	\$28.26	\$5.27	2.5x	NM
BioClinica Inc.	\$72.90	\$63.36	\$78.85	\$9.22	0.8x	6.9x
Poly Medicure Ltd	\$64.58	\$73.50	\$40.30	\$8.61	1.8x	8.5x
Bioteque Corp.	\$63.53	\$56.94	\$27.61	\$7.35	2.1x	7.7x
United Orthopedic Corp.	\$54.08	\$55.77	\$23.24	\$3.56	2.4x	15.7x
Theragincs Corp	\$50.00	\$35.39	\$84.03	\$12.09	0.4x	2.9x
Somnomed Ltd	\$48.16	\$44.40	\$11.70	\$0.29	3.8x	NM
Elos AB	\$38.47	\$56.23	\$54.16	\$7.64	1.0x	7.4x
VirtualScopics	\$33.47	\$29.20	\$14.82	\$1.33	2.0x	22.0x
Glycorex Transplantation AB	\$33.45	\$31.70	\$5.74	\$0.43	5.5x	NM
ClearStream Technologies	\$32.75	\$32.89	\$26.15	\$2.84	1.3x	11.6x
Zynex Inc.	\$21.80	\$24.41	\$28.89	\$3.04	0.8x	8.0x
Repro Med Systems Inc.	\$12.43	\$11.38	\$5.61	\$1.51	2.0x	7.5x
ITL Ltd	\$12.24	\$18.13	\$41.18	\$0.00	0.4x	NM
Arrhythmia Research Technology	\$9.51	\$6.19	\$24.53	\$1.39	0.3x	4.5x
Encision Inc	\$6.09	\$6.51	\$12.05	\$0.42	0.5x	15.5x
<b>Median</b>					<b>2.0x</b>	<b>11.9x</b>

Source: Company Filings, Bloomberg, RB Milestone

ISN is currently an early stage company with a promising product but little revenue and negative earnings. Hence, we have tried to estimate its potential revenue and EBITDA at a period when it has achieved considerable penetration and growth. We expect revenues to reach ~A\$27.5 million by FY15 and EBITDA margin of 30% in that year or ~A\$8.3 million. Below are the key assumptions and forecasts:

**Exhibit 17 : Key Financial Projections**

in A\$ '000	FY09	FY10	FY11	FY12e	FY13e	FY14e	FY15e
Revenue	\$225	\$348	\$332	\$1,534	\$4,900	\$13,039	\$27,537
COGS	(\$295)	(\$270)	(\$240)	(\$590)	(\$1,862)	(\$4,890)	(\$10,189)
as % of revenue	131%	77%	72%	39%	38%	38%	37%
Gross Profit	(\$70)	\$79	\$92	\$943	\$3,038	\$8,149	\$17,348
Opex	(\$6,834)	(\$6,203)	(\$6,896)	(\$9,968)	(\$14,700)	(\$13,039)	(\$9,087)
as % of revenue	3031.5%	1779.9%	2076.7%	650.0%	300.0%	100.0%	33.0%
EBITDA	(\$6,903)	(\$6,124)	(\$6,804)	(\$9,025)	(\$11,662)	(\$4,890)	\$8,261

Source Company Filings, RB Milestone

For pricing of the Personal WheezoMeter™, we have referred to ISN’s FY10 annual report where the company mentioned the list price at €345 (A\$483) as well as ISN’s site Wheezenomore.com where it has a list price of A\$399 for FY11. For the Clinical WheezoMeter™, the price stated in the FY10 annual report was €975 (A\$1,365), which we assume to have sustained for FY11. We have also assumed a Euro to A\$ conversion rate of 1.4 and a 4% price increase annually. Further, we expect that the product mix would change slightly in favor of the Clinical WheezoMeter™ since ISN would be looking to promote the higher margin product through the recent partnership with the global Fortune 500 healthcare company. Below are our main assumptions regarding price, cost and sales mix:

**Exhibit 18 : Key Assumptions**

in A\$ '000	FY09	FY10	FY11	FY12e	FY13e	FY14e	FY15e
<b>Price</b>							
Personal Wheezometer	NA	\$483	\$399	\$415	\$432	\$449	\$467
Growth				4%	4%	4%	4%
Clinical Wheezometer	NA	\$1,365	\$1,365	\$1,420	\$1,476	\$1,535	\$1,597
Growth				4%	4%	4%	4%
<b>Sales Mix</b>							
Personal Wheezometer	80%	80%	80%	79%	78%	76%	75%
Clinical Wheezometer	20%	20%	20%	21%	23%	24%	25%
<b>Devices sold</b>							
Personal Wheezometer	367	448	560	1,936	5,696	13,965	27,563
Clinical Wheezometer	92	112	140	515	1,654	4,410	9,188
Total	459	560	700	2,450	7,350	18,375	36,750
Growth		22.0%	25.0%	250.0%	200.0%	150.0%	100.0%

Source: Company Filings, RB Milestone

In addition, we expect ISN to spend around A\$10 million on capital expenditure during this expansion phase, for which we expect it to issue share capital. We have factored the same in our shares outstanding computation for valuing ISN.

**Exhibit 19 : Shares Computation for Valuation**

<b>Shares Computation</b>	
Number of shares o/s (in mn)	1,080.5
Expected Capex (in A\$ '000)	10,000.0
Expected price during equity	0.025
New shares issued	400.0
Total shares used in valuation	1,480.5

Source: Company Filings, Bloomberg, RB Milestone

Finally, we arrive at a fair value of A\$0.044 for ISN’s shares using weighted EV/Sales and EV/EBITDA (25% and 75%, respectively) valuation multiples.

**Exhibit 20 : Relative Valuation**

<b>Valuation (in \$000)</b>	
FY 15 Sales	\$27,536.6
Expected median EV/Sales	2.0x
Implied EV (FY 15)	\$55,858.5
<b>Adjusted for:</b>	
Debt (financial liabilities)	\$504.5
Cash and equivalents	\$1,312.1
WACC	8.4%
Discount factor	0.734
Implied value of equity	\$41,621.1
FY 15 EBITDA (in \$000)	\$8,261.0
Expected median EV/EBITDA	11.9x
Implied EV (FY 15)	\$97,914.5
<b>Adjusted for:</b>	
Debt (financial liabilities)	\$504.5
Cash and equivalents	\$1,312.1
WACC	8.4%
Discount factor	0.734
Implied value of equity	\$72,511.1
Implied value using EV/Sales	\$41,621.1
<b>Weighted fair value computation</b>	
Weight of EV/Sales	25%
Implied value using EV/EBITDA	\$72,511.1
Weight of EV/EBITDA	75%
Weighted fair value	\$64,788.6
Number of shares o/s (in mn)	1,480.5
Fair value per share	0.044
Current price	0.019
<b>Upside/(Downside)</b>	<b>130.3%</b>

Source: Company Filings, Bloomberg, RB Milestone

## Key Risk Factors

- **Funding.** ISN will be heavily dependent on external funds to sustain business operations as the company is currently in the initial stages of corporate development and is burning a significant amount of cash. Inability to raise adequate funds at crucial times would hamper the company's ability to sustain manufacturing and deploy funds towards marketing and R&D initiatives
- **Currency Risk.** ISN currently reports its financial performance in Australian dollars, while it generates revenue in Israeli shekels, US dollars and Euros. Consequently, adverse fluctuations in any of these currencies is likely to adversely affect the company's operating results
- **Competition.** The global respiratory devices industry is highly fragmented and characterized by intense competition among all the players, some of which are financially stronger and have much greater resources at their disposal than ISN. This could adversely impact the company's ability to strike favorable deals
- **Regulatory Risk.** The industry is prone to changes in the regulatory environment. Consequently, any unfavorable change in regulation could make it extremely difficult for ISN to market its products or derive substantial margins from the same, which in turn could significantly impact financial results
- **Supply Chain Risk.** Currently, ISN is undertaking assembly, testing and quality control of all products at its facility based in Israel. However, a major portion of the sub-assembly manufacturing and sourcing of components is undertaken in countries such as China and Vietnam. Consequently, any disruption in sourcing key raw materials or difficulties faced by its suppliers could adversely impact ISN's operational performance

## Management and Board of Directors

### Mr. Ross Haghighat, Executive Chairman

Mr. Haghighat is a serial entrepreneur with nearly 25 years of experience in founding and transforming companies in the fields of telecommunications; sensors and diagnostics; biotechnology; and specialty materials. He is the founding CEO of Triton Systems, Inc., a leading product venturing company headquartered in Chelmsford, Massachusetts, a suburb of Boston, with offices in Boston, Washington DC, and Fargo, North Dakota. Mr. Haghighat serves on the Board of a number of firms, including Triton Systems, Aduro BioTech, SI2 Technologies, FRX Polymers and Sensera.

### Mr. Michael Thomas, CEO

Mr. Thomas has over 22 years of experience in the healthcare industry and was appointed CEO of ISN in June 2011. He was formerly the CEO at Appian Partners, a healthcare advisory firm focused on strategy development and implementation for medical device and healthcare services firms. Prior to leading Appian Partners, Mr. Thomas was President and CEO of Sleep Solutions, Inc. (SSI), a pioneering U.S. based medical device manufacturer and national healthcare service provider. Prior to SSI, Mr. Thomas was Executive Vice President of Sales and Marketing and a Member of the Board for National Sleep Technologies Inc. (NST). Early in his career, he held various sales and marketing positions including seven years with Merck and Glaxo Wellcome, where responsible for the launch of several leading asthma and COPD medications by these firms. Mr. Thomas was graduated from Cornell University with a bachelor's degree in Microbiology.

### Mr. Jerry Korten, Non-Executive Director

Mr. Korten was CEO of Versamed, Inc., an Israeli startup he helped establish as a US company that was sold to GE Healthcare. Currently, Mr. Korten, as General Manager of Strategic Markets, is working with GE Healthcare to identify new opportunities to advance technology in the field of cardiopulmonary therapy, monitoring and diagnosis. He also serves as a mentor to the New York City Investment Fund's BioAccelerate Program to catalyze the creation of a life sciences industry sector in the city by increasing the number of commercial spin-offs from New York's universities and research institutions. Mr. Korten has served on the boards of diagnostic and therapeutic device companies including Versamed, Inc., Bunnel Inc. and Vitaltrends Technology, Inc. and brings operational expertise in running medical device companies including engineering management as well as management experience in sales and marketing.

### Mr. Paul Hopper, Non-Executive Director

Mr. Hopper has over 20 years international experience in the management and funding of life science and healthcare companies and has served on the Boards of more than a dozen public companies in the US, Asia and Australia. Mr. Hopper is a Director of pSivida Corp.; a Director of Fibrocell Science, Inc.; the Chairman of Viralytics Limited; and a Director of Somnomed Limited. Mr. Hopper is Managing Director at the Los Angeles based Investment Bank, Cappello Group, where he heads the Australia Desk and the Life Sciences practice.

### Mr. Fabio Pannuti, Non-Executive Director

Mr. Pannuti has served on the board of several public companies listed in Australia, the United Kingdom and North America over the last 20 years and also at a number of private investment vehicles. These companies have had significant and successful involvement in diverse areas including agriculture; property development; mining/oil and gas; telecommunications; wholesale debt purchase; and biotech. They have included The Van Diemen's Land Company as well as Mobi Ltd., a small diverse telecom company, where he was recently Chairman. Mr. Pannuti is currently Chairman of Cairngorm Leisure, a company involved in the development of a snow dome, hotel and leisure complex in Australia and

also serves on the board of Leading Edge Instruments Ltd., a company that develops medical devices.

**Mr. Stephen Tunnell RRT, SVP of Operations**

Mr. Tunnell has more than 32 years in the health care industry. He is intimately familiar with the disordered breathing industry, beginning his career as a registered respiratory therapist in 1980. He was later promoted to Technical Director of Pulmonary Services at Sharp Health Care, San Diego, CA. During the 90's Mr. Tunnell served as Global Product Leader (GM) at Nellcor Puritan-Bennett's Ventilator Systems Division of Mallinckrodt. In 2000, he co-founded, a respiratory life support company, eVent Medical Limited, and as President and CEO led the company to a successful trade sale.

**Mr. Dave Model, SVP of Finance**

Mr. Model has 32 years of business experience in biotech, biomedical, aerospace and other high technology fields. He has been a C level executive for a variety of both public and private companies, most recently as the CFO of Aduro BioTech, an immunotherapy company, and an Executive Vice President for Triton Systems, a product venturing company. Earlier in his career Mr. Model was a founder and President of ImageMax (now DataBank IMX), a nationwide network of data imaging businesses. The company had an IPO on the NASDAQ in 1997. Prior to that, Mr. Model founded and co-managed Airfoil Technologies, LLC, a joint venture between Teleflex (TFX: NYSE) and General Electric Aviation to provide the world's commercial airlines with turbine repair services. (General Electric acquired 100% of the venture in 2009.) Mr. Model began his career as an aerospace engineer, and holds an MBA from the Wharton School of the University of Pennsylvania and a BA from Yale University.

**Mr. Paul Eisen, Managing Director and SVP Sales & Marketing for Europe, Asia Pacific & Australia**

Mr. Eisen has operated as a senior executive in the Medical device and Healthcare industry across Australia and Asia Pacific for the last 20 years. Prior to joining ISN in August 2009, Mr. Eisen was the Senior Vice President - Asia Pacific at ResMed Inc. for seven years. ResMed is one of the leading global companies in the sleep disorder breathing market. In this role, he successfully increased revenues in each of the countries that he managed. Prior to his time at ResMed, he held Executive positions at GE Medical Systems and Roche Diagnostics. Currently Mr. Eisen is on the Board of the Diabetes Vaccine Development Centre (DVDC), which is a joint venture between the NH&MRC and the Juvenile Diabetes Foundation. He holds a degree in Diagnostic Radiography from Sydney Technical Institute and a Graduate Diploma in Marketing from the University of Technology, Sydney (UTS).

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