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SHAREHOLDER UPDATE
16 March 2005

Highlights

The first quarter of 2005 has been a time of growth and transformation for HeartWare Limited, as we continue on the path towards the first major milestone, human implantation of the HVAD.

This newsletter is aimed at updating you on a number of matters that have occurred since we completed our public listing on 31 January, 2005. These include:

- successful completion of IPO and ASX listing on 31 January, 2005;
- completion of preclinical implants prior to the start of the final series of studies to be conducted under the Good Laboratory Practice (GLP) standard;
- GLP studies in sheep to begin this month;
- appointment of Chief Financial Officer;
- granting of a European Patent which further protects our global patent position; and
- continued defence of legal action by Ventracor.

Operational Matters

During the period following the release of the prospectus and in the six weeks since listing on the Australian Stock Exchange, HeartWare has continued to focus on activities which will lead to the start of clinical trials of the HVAD.

I am pleased to advise you that we have completed the sequence of preclinical implants prior to the initiation of the final series of studies to be conducted under the Good Laboratory Practice (GLP) standard. You may recall that these GLP studies are an important precursor to an application to the US Food and Drug Administration (FDA) for an Investigational Device Exemption (IDE) to implant the HVAD in humans. The GLP studies are a formal requirement for the clinical trials, although they are not intended to provide new information about the performance of the HVAD.

The 90 day GLP studies will begin this month. In addition, we have also recruited an experienced specialist to manage the HVAD preclinical study program.

It is of note that in the preclinical studies to date, we continue to use no anticoagulation following the operative period and have found no evidence of thrombus formation in the HVAD. Further, we have seen very low levels of haemolysis, which indicates that the HVAD causes no significant mechanical damage to the blood as it passes through the pump. In combination, these observations suggest that the HVAD will meet its design criteria with respect to haemocompatibility in clinical use.

The long term test equipment is in final stages of construction. This program will ultimately manage the continuous and indefinite operation of multiple HVADs under varying conditions of pressure and flow. The initial data from these long term pumps will also be used for support of submissions to the FDA in support of the HVAD IDE application.

We have implemented a hiring plan for the facility in Florida and are actively recruiting a Chief Operating Officer to manage these functions. Several high calibre candidates are being considered.

Corporate Matters

As announced, we are pleased to welcome David McIntyre as Chief Financial Officer and Company Secretary. David is both a qualified lawyer and accountant and brings a further depth of experience in both the medical device industry and Australian public companies where he has previously worked.

A small but dedicated team has now been formed in the Sydney office.

Advisory Board

The HeartWare Advisory Board, chaired by Dr. O.H. (Bud) Frasier of the Texas Heart Institute, continues to be highly active in its support of our preclinical and development programs. The Board will be involved in the development of the protocol which will be used in our human clinical studies scheduled to begin during the first quarter of 2006.

Intellectual Property

Our intellectual property coverage is already broad in the United States, Australia and other countries. In a further strengthening of HeartWare's patent position, we recently announced that we had been granted a patent by the European Patent Office that covers HeartWare's fundamental left ventricular assist device technology. This patent is one of a series of patents which HeartWare has filed in the EU.

This is a significant step in further protecting our technology on a global basis.

Update on Ventracor Litigation

As you may recall, in December 2004, Ventracor attorneys wrote to HeartWare alleging patent infringements. Ventracor management then confirmed to HeartWare in writing that it would be prepared to withdraw its threat if HeartWare would be prepared to enter into negotiations in regard to a cross-license of patents prior to Christmas 2004.

Shortly after lodging our prospectus on 17 December, Ventracor filed legal action against HeartWare's U.S. subsidiary HeartWare, Inc. on 21 December, 2004. This action alleged infringement of two of Ventracor's U.S. patents and specifically, three claims therein.

HeartWare believes its patent position is strong and that, as stated in the prospectus, the action taken by Ventracor is opportunistic, has no validity and is frivolous in nature. The timing of the action clearly indicated an intention to threaten HeartWare at a vulnerable moment, in an attempt to obtain access to HeartWare's superior patent portfolio.

More recently, HeartWare has responded to the complaint with a Motion to Dismiss and Notice under Rule 11 accusing Ventracor of filing a frivolous action and seeking penalties.

HeartWare remains confident of success and believes the Ventracor complaint to be defective and improper, although there can be no guarantee that the case will be dismissed and it may progress to be heard on its merits. HeartWare, Inc. will continue to defend this action by Ventracor. Shareholders will be informed of any substantial events related to the litigation between HeartWare and Ventracor.

Importantly for our investors, HeartWare is firmly of the opinion that defence of Ventracor's action will not materially impact our cash flow or prevent our ability to carry forward the plans as presented in the prospectus.

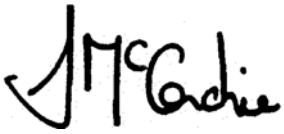
It is not our choice to be involved in the legal action with Ventracor. It is particularly disappointing, given that the demand for these products will not be satisfied for several years, by which time the clinical community would already have made their choice as to which device is best suited for their patients. Shorter operating time, lower levels of haemolysis and reduced use of anticoagulants will be the determining factors in this choice.

Summary

At HeartWare, we believe our HVAD implantable cardiac assist device has the potential to substantially reduce the morbidity and mortality associated with heart failure, one of the leading causes of death in the developed world. The market for these devices is large and growing: approximately 100,000 end-stage heart failure patients worldwide could benefit from HeartWare's HVAD.

We will continue to keep you informed of developments.

Sincerely



Stuart McConchie
Chief Executive Officer
HeartWare Limited