ASX / MEDIA RELEASE

COMPUMEDICS
LIMITED

Key Dental-Sleep Services Joint Venture

- Dentists to diagnose sleep apnoea

Melbourne Australia, Wednesday, January 3, 2007
Leading Australia-based medical diagnostics company, Compumedics Limited (ASX: CMP), has completed a Memorandum of Understanding with Health Technology Limited (HTL, an Arizona company) and a local Melbourne dentist to establish a joint venture entity (JVE) to capture the worldwide dental-sleep services market. The JVE, a USA-based company, will be owned in the following proportions — HTL: 25%; Compumedics and Compumedics Medical Innovations Pty Ltd (CMI, a wholly-owned subsidiary of Compumedics housing its new technologies): 75%.

HTL Background
HTL distributes Eccovision® diagnostic systems currently manufactured by E Benson Hood Laboratories, Inc in the USA. The system incorporates a proprietary pharyngometer and rhinometer that uses acoustic wave reflection technology to measure the upper airways of obstructive sleep apnoea sufferers. HTL has particular expertise in the diagnosis of sleep disorders using Eccovision® systems and treatment of the sleep disorders using oral appliances to keep airways open during sleep. Oral appliances are an alternative therapy to Continuous Positive Air Pressure delivered to nasal masks for sufferers of obstructive sleep apnoea.

Mr David Burton, CEO of Compumedics said,

"The current global sleep diagnostics market is at least $250 million and growing. A large proportion of the population suffers from sleep disorders like sleep apnoea but many people suffer undiagnosed. The application of Eccovision® pharyngometry and rhinometry to enable dentists to assist with the diagnosis of sleep apnoea and treatment with oral appliances, opens up a complementary dental-sleep device and services market, comprised of dentists and dental service providers. High standard and quality Compumedics sleep-products, which are mainly supplied to conventional sleep laboratories operated by doctors or health service providers, will soon be made available by way of the CMI dental-sleep products range to support the large and growing dental-sleep disorder market".

"In general, the significance of the joint venture with HTL is that we will be expanding the sleep-diagnostics market by providing an alternative method for dentists to assist doctors with the diagnosis of sleep apnoea", he said. "There are 135,000 dentists in the USA alone".

HTL has developed the world market for the use of pharyngometers in the diagnosis of dental-sleep disorders. HTL has collaborated with Dr John Barlow of Dental Associates in Melbourne, to capitalise the JVE.

JVE Activities

The JVE will engage in the business of manufacture and sale of software and medical devices and services for the dental-sleep service and bruxism market to achieve the objectives of an updated business plan initially prepared by HTL.

Compumedics' Obligations

Compumedics has no financial commitment to the JVE. Its commitment is with "in-kind" resources. Specifically, the commitment is to:

- negotiate the assignment of intellectual property rights underpinning the current Eccovision® system;
- manufacture the current Eccovision® system;
- provide CMI dental-sleep recording systems for integration into the current Eccovision® system;
- research and develop enhanced dental-sleep service products; and
- provide access to Compumedics' distributor network.

Compumedics has negotiated the transfer by assignment of intellectual property rights and technology underpinning the Eccovision® system.

In commenting on the process of Compumedics' involvement, Mr David Burton said,

"Initially, CMI will upgrade the current version of Eccovision® system software to be compatible with the classic Compumedics suite of sleep products. Hence, for the first time a unique degree of compatibility and ease of co-operation will be facilitated between Compumedics sleep-system users and the growing dental-sleep services market. Subsequently, CMI will develop and release their dental-sleep recorder specially designed to integrate with the Eccovision® system and the dental practice. "

Dr Ed Spiegel and Dr John Barlow of HTL, and Mr David Burton of Compumedics will head up the new JVE. Compumedics will enter into a binding agreement with the JVE to provide exclusive rights to the JVE for the supply and distribution of CMI products relevant to the dental-sleep services market. The agreement will commit Compumedics to access to sales, service and manufacturing infrastructure, as appropriate.

HTL's Obligations

HTL will provide USD3.6 million to:

- acquire the underlying intellectual property rights Eccovision® systems from E. Benson Hood Laboratories, Inc. in the USA;
- fund the initial accelerated CMI dental-sleep recorder and Eccovision® software upgrade; and
- fund initial marketing activities.

Of the USD3.6 million, USD3.1 million will fund the transfer of the intellectual property rights to the JVE. The capital for HTL will be sourced largely from Australian investors.

David Burton
Executive Chairman, CEO

Compumedics Limited

For Further information:

Mr David Burton
Executive Chairman, CEO
Phone: + 61 3 8420 7300
Fax: +61 3 8420 7399

Issued by:

Rod North
Executive Director
Bourse Communications Pty Ltd
Phone: +61 3 9510 8309
Mobile: 0408 670 706
www.boursecommunications.com.au

About Compumedics

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technologies for sleep disorders, neurophysiology and cardiology. Compumedics holds 80% share of the Australian sleep diagnostic market, and has a major and rapidly growing presence in the US, European and Asian marketplaces for its diagnostic monitoring devices.

The company has corporate headquarters in Melbourne, Australia and offices in the United States, Asia and Europe.

Compumedics businesses now include sleep-diagnostics (Sleep Division), Neuro-diagnostics (Neuroscan and Neuroscience Divisions), and non-invasive blood-flow diagnostics (DWL Division). All of these fields were pioneered or discovered in the 1980s, validated in the 1990s and are only now undergoing commercialisation into the rapidly expanding $1 billion plus global market. The company has increased its sales more than 4 fold from $9 million (1999) to $38 million (2006), reflecting its continued commitment to an effective sales and R&D organisation.

www.compumedics.com