

**KarmelSonix Limited**

**Quarterly Report For The 3 Months  
Ended 30<sup>th</sup> June 2010**

**Highlights for the June Quarter**

During the June Quarter the Company made important progress on a number of fronts, specifically;

- 1) the WHolter™ device received regulatory approvals in Europe (CE mark) and in the USA (FDA Clearance);
- 2) the launch of the new WHolter™ service revenue model which enables the Company to not only sell (or lease) the WHolter™ device but also to retain part of the revenue derived from the provision of the recording, analysis and interpretation services being sold in conjunction with the device;
- 3) commencement of shipping of WHolter™ and Wireless PulmoTracks®.
- 4) receipt of CPT codes in the US for the KSX technology which enables the commencement of the reimbursement process in the US market

The receipt of the Category 3 Codes is a key first step in the reimbursement process and will lay the foundation to moving toward achieving Category 1 Codes over time;

- 5) continued expansion to the Company’s distribution network in the US, European, Nordics and Asia Pacific;
- 6) Following the appointment of Resindo Medika, as distributor in Indonesia, the KarmelSonix Asian distribution partner network now includes the following key parties:
  - Pneumo Care Health – North, West and East India
  - Sapco Laboratories – South India
  - Celki Company – Hong Kong
  - MediPoint – South Korea
  - The Progressive Group – China and Taiwan
  - Resindo Medika – Indonesia

Discussions have also commenced with potential distributors in Japan. This populous and wealthy market has a rapidly growing incidence of COPD and respiratory conditions. These potential distributors are substantial medical companies that also have extensive respiratory experience. KarmelSonix has also held preliminary discussions with the regulatory and government authorities as the Company prepares for the marketing approval process in Japan.

**KarmelSonix Ltd. (KSX)**

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**“Wheeze Rate – A New Paradigm in Asthma Management”**

- 7) Cash flow from sales during the previous quarter started to be received during the quarter with cash from other sales made during the quarter expected to be received during the current quarter.

It is important to note that the future rate of growth is dependent to a large degree on the continued acceptance of the devices by the medical communities, led by Key Opinion Leaders, who continue to play a vital role in adopting the new technology and, at the same time, achieving recognition by the insurance companies who provide reimbursement for the use and interpretation of diagnostic tests.

Currently, assembly, test and quality control of all products is carried out at the Company’s facility based in Haifa, Israel, while most of the sub-assemblies manufacturing is done in the Far East (specifically, China, Vietnam).

With the four completed products for the hospital – PulmoTrack®, clinic – Clinical Wheezometer™, ambulatory testing – WHolter™ and the home – Personal Wheezometer™ now available and being produced the distributor orders are being filled and the company expects to see this reflected in evidence of sales momentum going forward.. The Company is confident that the next 12 months will see strong sales growth.

**“Wheeze Rate – A New Paradigm in Asthma Management”**

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## Appendix 4C – 4<sup>th</sup> Quarter

### Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

KarmelSonix Limited (ASX:KSX)

ABN

98 009 234 173

Quarter ended ("current quarter")

30<sup>th</sup> June, 2010

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	136	255
1.2 Payments for		
(a) staff costs	(572)	(1,944)
(b) advertising and marketing	(413)	(1,447)
(c) research and development	(145)	(690)
(d) leased assets	(71)	(246)
(e) other working capital	(503)	(1,230)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	121
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Refund & Grants)	-	106
<b>Net operating cash flows</b>	<b>(1,517)</b>	<b>(5,075)</b>

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
1.8	Net operating cash flows (carried forward)	<b>(1,517)</b>	<b>(5,075)</b>
	<b>Cash flows related to investing activities</b>		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	(14)	(67)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(14)</b>	<b>(67)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(1,531)</b>	<b>(5,142)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.	26	5,062
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
Trf	Transfer	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – (Capital Raising Costs)	(2)	(502)
	<b>Net financing cash flows</b>	<b>24</b>	<b>4,560</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,507)</b>	<b>(582)</b>
1.21	Cash at beginning of quarter/year to date	3,791	2,961
1.22	Exchange rate adjustments to item 1.21	13	(82)
1.23	<b>Cash at end of quarter</b>	<b>2,297</b>	<b>2,297</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	126
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	
Salaries, directors' fees and consulting fees at normal commercial rates.		

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material affect on consolidated Assets and liabilities but did not involve cash flows

During the period the following equity was issued:

- 8,400,000 shares were issued to consultants in lieu of cash payment for services rendered.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,000	-
3.2	Credit standby arrangements	6,200	-

The Company has entered into a three-year ongoing funding arrangement with Trafalgar Capital Specialised Investment Fund.

The total facility of A\$7.2 million consists of two components and may be drawn down as follows:

- i. A standby equity drawdown facility of up to A\$7.2 million; or
- ii. A loan facility for up to A\$1.0 million and a standby equity drawdown facility of up to A\$6.2 million.

The facilities have been put in place as a working capital funding arrangement and to be used on a standby basis.

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**Quarterly report for entities**  
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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,297	3,791
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,297</b>	<b>3,791</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets \$A'000		
5.5 Nature of business		

**Compliance statement**

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
 \_\_\_\_\_  
 Company Secretary

Date: 30<sup>th</sup> July, 2010

Print name: Brad Slade



The CFO Solution  
 30.07.2010

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## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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