

KarmelSonix Limited

**Quarterly Report For The 3 Months
Ended 31st March 2010**

Highlights for the March Quarter

Continued important progress on building commercial and distribution relationships in key markets has been made. Specific activities included:

- expansion of sales and marketing activities in Asia Pacific (refer recent updates);
- additional distributors signed in US market (refer recent update);
- expansion of the sales and marketing teams covering Australasia, Europe and the US markets;
- receipt of European CE Mark Medical for the Wholter™ product;
- continued expansion to the Company’s IP portfolio;
- appointment of Paul Eisen and Amir Ohad to the Board of Directors.

Appendix 4C – 3rd 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")

31st March, 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	56	119
1.2 Payments for		
(a) staff costs*	(452)	(1,372)
(b) advertising and marketing	(334)	(1,034)
(c) research and development	(164)	(545)
(d) leased assets	(94)	(175)
(e) other working capital	(227)	(727)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	41	70
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Refund & Grants)	-	106
Net operating cash flows	(1,174)	(3,558)

*These costs include salary and wages paid to administration & management, sales & marketing and research & development personnel.

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

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,174)	(3,558)
Cash flows related to investing activities		
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	(6)	(53)
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)	-	-
Net investing cash flows	(6)	(53)
1.14 Total operating and investing cash flows	(1,180)	(3,611)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	5,036
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)	(25)	(500)
Net financing cash flows	(25)	4,536
Net increase (decrease) in cash held	(1,205)	925
1.21 Cash at beginning of quarter/year to date	5,022	2,961
1.22 Exchange rate adjustments to item 1.21	(26)	(95)
1.23 Cash at end of quarter	3,791	3,791

+ 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	102
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

- 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.

+ See chapter 19 for defined terms.

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

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	3,791	5,022
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	3,791	5,022

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: 30th April, 2010

Print name: Brad Slade



The CFO Solution
 30.04.2010

+ See chapter 19 for defined terms.

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.

+ See chapter 19 for defined terms.