

COMPANY ANNOUNCEMENT

Company Update

24th December 2008: The Directors of KarmelSonix Ltd (ASX: KSX) wish to provide the following update on the Company’s activities and current financial arrangements and plans.

Sales and Marketing Activities

- Over the course of the last 30 days the Company has entered into Interim Agreements (LOI’s) with new Territorial Distributors in Singapore, Canada, as well as New York and New England and South East US. These newly added distributors join currently active dealers in the Benelux and in Taiwan/China. Within the framework of these Interim Agreements, each distributor has ordered 1-2 PulmoTrack® Units. Additional distribution arrangements are currently under negotiation.
- The Benelux distributor has ordered another 4 new PulmoTrack® units, outside of the initial LOI agreement, and has stated that “there is a rapidly growing level of interest in the KSX technology in Europe”.
- The Company has received several direct orders for PulmoTrack® units from leading institutions including an order from Prof. Andy Bush, Chief of Pediatric Pulmonology and Asthma at the Royal Brompton Hospital in London and from a new PFT laboratory in Greece.
- The Company has participated in a number of key conferences, including booths in the European Respiratory Society – ERS Conference (Berlin Sept 08), the American College of Chest Physicians - ACCP (Philadelphia, PE Oct 08), and Medica (Dusseldorf, Nov 08) as well as the American Academy of Respiratory Care – AARC (Anaheim, CA Dec 08). Over 100 leads from interested doctors are being followed now with scheduling of on-site trialing of the PulmoTrack®.
- Clinical studies in Israel, Europe, Australia and the US (Total of 11 approved studies) are currently underway.

CE Audit and CE Mark for the Personal Wheezometer

On 8th December, the Company successfully passed its annual CE audit, where the Company’s R&D and manufacturing procedures were found to be in compliance with all applicable medical devices standards of the European Community. During this audit, the Personal Wheezometer (PW) was submitted for a CE Mark. The initial audit of the PW was positive and a CE mark for the Personal Wheezometer is expected within a 4-6 week period.

“Wheeze Rate – A New Paradigm in Asthma Management”

Funding

The Company has, in line with market conditions and currently available cash, continued to reduce its burn rate including a further reduction in staff numbers. Despite this the Company has maintained its focus on generating sales of the PulmoTrack® and continuing to advance the work on the WHolter and PW. This has been a very difficult period for the Company as raising additional funds in this environment has been virtually impossible.

We are pleased to report however that the Company has entered into an arrangement which is expected to see the Company raise a minimum of A\$1.25m (via the issue of Ordinary and Preference Shares) to assist with the direct funding of the PW to the manufacturing stage. Without such funding the PW project together with most of the Company’s other activities will need to be put on a ‘care and maintenance’ basis from end January 2009. This is also due to the fact that in the current environment and given the low turnover in the stock, the Company has been unable to draw on the Trafalgar Capital facility (previously announced) although it does remain in place.

The Directors would like to take this opportunity to thank all stakeholders – especially staff (who have made an outstanding contribution during this time), consultants, customers, and shareholders for their continuing support in what has been a very difficult period.

We look forward to bringing you a further update in respect of the proposed capital raising and Company’s activities in January 2009.

For additional information please contact:

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KarmelSonix Ltd. focuses on supplying innovative non-invasive acoustic tools for disease management of asthma and related pulmonary disorders. Asthma affects 6-16% of the population in developed countries with a cost exceeding \$US15 billion in the US alone.

Acoustic Asthma Management is a breakthrough in monitoring of the asthmatic patient of all ages, including the very young, very old and others who cannot perform currently available tests. The technology that comes from extensive R&D and clinical validation in the US, Israel and Australia, facilitate continuous monitoring of patients at home, in the ICU and even during sleep. The company is focused on early commercialization of its products with special emphasis on the European and North American markets.

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