

COMPANY ANNOUNCEMENT

Proposed Management & Board Restructure

2nd September 2010: The Directors of KarmelSonix Limited (ASX: KSX) wish to advise that effective immediately and following a review of the Company and its personnel by outside consultants, the following changes and proposed changes will be implemented:

- i) Following the recent approvals for its ground breaking non-invasive acoustic devices for management of asthma, the Board of Directors of KarmelSonix has approved a plan to enhance the company’s senior leadership team to enable it to take full commercial advantage of market response to its recently approved products. The changes will include the recruitment of a new CEO with global commercial expertise in respiratory diagnostic and therapy devices, and a new Board of Directors to bring the necessary strategic, financial and operational expertise, as the Company introduces its products into several new markets;
- ii) A CEO Selection Committee has been appointed by the Board to identify and recommend CEO candidates with the requisite experience. Going forward, Prof. Noam Gavriely, the Company’s founder, current CEO and CMO and a member of the CEO Search Committee, will focus on product enhancements and improvements in the role of Chief Medical Officer (CMO) of the company. The appointment of a permanent CEO will occur following a review and interview of appropriate candidates by the CEO Selection Committee to the Board;
- iii) In parallel with ii) above, a Board Review Committee has been established, comprising the Chairman of KSX and three external parties, to assess the needs of the Company as it moves forward with its commercial rollout plans and to source directors with the necessary skills, medical devices and related experience, track record and independence (from executive responsibilities) to ensure that the Company is best placed to take advantage of the substantial commercial opportunities which exist globally for the Company’s innovative respiratory devices; and
- iv) The new Board is expected to also name a new permanent Chairman upon its appointment.

The Board has established a relatively short, 60-day timeframe within which to bring about the substantial and essential changes described above.

In order to facilitate the various changes, Mr. Ross Haghigat, an experienced and successful US-based venture capitalist, business builder with substantial medical devices and related expertise has been brought on to chair the two Committees and facilitate the process. To commence the change process, current Chairman, Mr. Peter Marks has agreed to step down as Chairman of the Board, but will stay as a member of the Board until completion of the change process. In his place, Mr. Haghigat has agreed to act in the capacity of interim Chairman & CEO and as such will head up the KarmelSonix new leadership team in order to enhance, accelerate and manage the transformation process. Additionally, a representative from the major Australian shareholders, Mr. Garry Bonacorso, and an experienced Israeli-based Investment Banking and Private Equity executive, Mr. Baruch M. Halpert, have been secured to participate in the Board Selection Committee. The CEO Selection Committee comprises Mr. Haghigat, Mr. Marks, the retiring Chairman of KSX and Prof. Gavriely the retiring CEO.

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The changes now being implemented will, on their completion, see the Company repositioned in a manner to take full commercial advantage of the groundbreaking work of Prof. Gavriely, giving the company first mover advantage in the multibillion dollar global market for asthma management. It is in this vain that the Board wishes to express its thanks to Prof. Gavriely for not only his scientific and medical input to the Company’s development since its inception but also for his significant contribution to the Company as its founding CEO. This work has enabled the Company to take the important steps which began as an R&D company through to product development, manufacturing and early commercialisation, and encompassing all the key steps in between.

The realignment of the management team and Board is seen as a vital and natural step in the further development of the Company and essential as it now prepares to raise additional funds to enable it to take the next step in its ambitious and immediate commercial rollout program.

Further updates in relation to the above changes are expected to be made to the market over the coming weeks.

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About KarmelSonix : 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 now focussing its efforts on early commercialization of its products particularly in the AsiaPac, European and North American markets.

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