



“Wheeze Rate – A New Paradigm in Asthma Management”

COMPANY ANNOUNCEMENT

**KarmelSonix Secures Committed Equity Facility Agreement With
Trafalgar Capital Specialised Investment Fund For Up To \$7.2 Million**

25 August 08 : The Board of Directors of KarmelSonix Ltd (KSX) wishes to advise that the Company has entered into a three-year ongoing funding arrangement with Trafalgar Capital Specialised Investment Fund (“Trafalgar”). The funding agreement was facilitated by Arbel Capital Group, Trafalgar’s representative in Israel, and IBI Investment House also of Israel.

The arrangements comprise two parts:

- i) a standby equity drawdown facility of up to A\$7.2 million; and
- ii) a Loan Facility for up to A\$1.0 million as part of the amount of the A\$7.2 million total facility.

The facilities have been put in place as a working capital funding arrangement and to be used on a standby basis to ensure the continuous funding of the Company’s ongoing product development and commercialisation program and to enable the Company to complete additional key product and commercial milestones.

The key milestones to be achieved over the next 6 months include:

- i) completion of the regulatory submission and production line of the Personal Wheezometer™ (the home diagnostic tool);
- ii) completion of the Wholter™ (the world’s first 24 hour asthma monitor);
- iii) completion of sales and marketing packages and onset of sales of the Personal Wheezometer™ and the Wholter™.

The key features of the arrangements with Trafalgar may be summarised as follows:

- i) a maximum of A\$300,000 can be drawn down in any 1 month;
- ii) the shares to be issued to Trafalgar are issued at a price equal to 95% of the 5 day VWAP after an Advance Notice has been provided;
- iii) Trafalgar is prohibited from undertaking any short selling of the stock;
- iv) the period of the facility is a total of 36 months from the commencement of the agreement;
- v) advances to KSX will be by way of an issue of ordinary shares, listed on ASX and ranking pari passu with other ordinary shares;
- vi) any share issues which are over the Company’s 15% threshold will be subject to obtaining shareholder’s approval in a general meeting;

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- vii) the facilities can be cancelled by Trafalgar on certain prescribed events, e.g. de-listing of shares from ASX, breach of warranties, etc.;
- viii) Trafalgar will receive commercial fees for putting in place the facilities and on the occasion of each drawdown;
- ix) as part of the equity facility the Company has access to a separate Loan Facility of up to A\$1.0m (as part of the total of A\$7.2m) which can be used for the same working capital purposes. The two facilities are separate. Only the loan facilities can be repaid;
- x) It should be noted that as long as there is no portion of the Loan Facilities outstanding, the Company is free to pursue other options for raising additional capital, e.g. traditional placements etc. which will also provide the Company with continuing flexibility in reviewing its future funding options and enable it to take advantage of such options when equity market conditions improve.

The Board is pleased to have been able to secure this standby credit facility in the current difficult capital raising environment and in light of the fact that the company secured a total of \$1.8 million from the recent option exercise. The funds from this equity facility will be utilized only as required to enable the Company to continue with its focused and aggressive commercial rollout plan.

Importantly, the stand by facilities now in place will enable this work to continue whilst providing the Company with continued flexibility to explore other capital raising options.

A separate announcement providing a detailed update on the Company’s sales and marketing activities will be provided shortly.

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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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