



**KarmelSonix Limited**  
**Quarterly Report For The 3 Months**  
**Ended 30 June 2008**

**Highlights from the June Quarter**

Significant highlights from the Quarter include:

- Clinical program has been enhanced with the formal establishment of the Medical Advisory Board comprising several internationally recognised key opinion leaders;
- Receipt of further clinical validation of the Company's acoustic technology;
- Distribution agreement signed covering Benelux countries in Europe with negotiations with other potential European distributors underway;
- Distribution agreement signed covering Taiwan and China with an aggressive forward sales and marketing program now underway for the PulmoTrack®, including product registration in China;
- Commencement of direct sales of PulmoTrack® in Australia through initial sales to Pathology and Pharmacy groups;
- Receipt of BIRD Foundation funding of US\$900,000 to fund further development of WIM-GER product in collaboration with Sandhill Scientific Inc of USA;
- A major milestone achieved on time and budget was the successful completion of the Personal Wheezometer prototype and recruitment and testing of initial patients;
- The burn of approx. \$1.8m for the quarter as reflected in the 4C was generally in line with the budget for the year ended 30 June 2008. Since then the Company has taken important steps to reduce the current monthly burn rate in order to focus all resources on activities aimed at completing products nearing completion (particularly the WHolter and Personal Wheezometer) and giving priority to the company's sales and marketing activities particularly over the next 6 months, including the expanded marketing of the PulmoTrack®.
- Funds received from 30 June Option Exercise Program totalled approx. \$1.8 million which given prevailing market conditions was a reasonable result. In addition and critically, the company is currently examining other potential sources of funding to ensure that the product rollout and commercialisation plans and momentum which has been created can be maintained to enable the Company to continue to achieve its various milestones without any significant delays.
- Mr Brad Slade of CFO Solutions has been appointed Joint Company Secretary of the Company.

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+ See chapter 19 for defined terms.

## Appendix 4C – 4th 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, 2008

#### 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	-	-
1.2 Payments for		
(a) staff costs	(466)	(1,611)
(b) advertising and marketing	(185)	(572)
(c) research and development	(807)	(2,109)
(d) leased assets	(58)	(189)
(e) other working capital	(405)	(1,738)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	29	229
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Refund)	57	282
<b>Net operating cash flows</b>	<b>(1,835)</b>	<b>(5,708)</b>

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

	<b>Current quarter</b> <b>\$A'000</b>	<b>Year to date</b> <b>(12 months)</b> <b>\$A'000</b>
1.8 Net operating cash flows (carried forward)	<b>(1,835)</b>	<b>(5,708)</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	(69)	(189)
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>(69)</b>	<b>(189)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,904)</b>	<b>(5,897)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	1,944	8,609
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 – (if material)	-	-
<b>Net financing cash flows</b>	<b>1,944</b>	<b>8,609</b>
<b>Net increase (decrease) in cash held</b>	<b>40</b>	<b>2,712</b>
1.21 Cash at beginning of quarter/year to date	3,340	588
1.22 Exchange rate adjustments to item 1.20	(10)	70
<b>1.23 Cash at end of quarter</b>	<b>3,370</b>	<b>3,370</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	142
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:

- 50,702 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	-	-
3.2	Credit standby arrangements	-	-

**Reconciliation of cash**

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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.	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
4.1 Cash on hand and at bank	3,370	3,340
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>3,370</b>	<b>3,340</b>

### Acquisitions and disposals of business entities

	<b>Acquisitions (Item 1.9(a))</b>	<b>Disposals (Item 1.10(a))</b>
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: 31<sup>st</sup> July, 2008

Print name: Phillip Hains

The CFO Solution  
[www.thecfo.com.au](http://www.thecfo.com.au)

### Notes

+ See chapter 19 for defined terms.

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

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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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