

***“Wheeze Rate – A New Paradigm in Asthma Management”***

**Shareholder Update – November 2010**

9<sup>th</sup> November 2010

Dear Shareholder,

I am writing to personally invite you to KarmelSonix's next AGM to be held in Melbourne at 4 PM on 30 November 2010. Joining me will be other members of our new Board of Directors and our company's Founder, who have been looking forward to meeting our valued shareholders. Since my last communication in early October, the KarmelSonix Team has continued to devote its full attention to recalibrating its priorities and readying itself to embrace the market opportunities for its products.

Our new Board of Director members are engaged and are productively contributing to an ambitious set of strategic priorities. Given the broad experience and the complementary skills we now enjoy, we are working interactively for the benefit of our shareholders in 2011 and beyond.

Within our leadership team, we are working diligently to enhance and streamline our lines of communication. We have integrated our sales and marketing team with our manufacturing and quality control team. The result is an enhanced process to identify problems and more importantly, a much more robust means to address them. Whereas in early September we were product constrained, our professional manufacturing team has markedly improved its product shipment cycle. We shipped more hardware in the month of October than in the previous three months combined. This trend will accelerate in the coming months.

In order to accommodate the growing need (and demand) for our products in key markets, we plan to expand our manufacturing capacity by up to 5 times by the end of Q2, 2011. To help our manufacturing team, led by Igor Naroditzky, accomplish this, late last month we welcomed Bill Nicklin to our manufacturing team. As the founding VP of Manufacturing at ResMed, Bill has vast experience and standing as a manufacturing and quality control expert with more than 20 years of proven track record of transitioning prototypes to globally successful products in the biomedical device arena.

We believe success in 2011 will come through an unwavering commitment to three simple, yet key principles which we refer to as Tripod of Success. Simply put, we have focused the entire energy of our organization on three priorities; namely,

**Sales and marketing** – Paul Eisen and Larry Murdock will co-lead the charge in sales and marketing for the company in AsiaPac, EU and US. They will focus on best means of deploying their team's attention in order to help us realize the very critical sales targets that will be reflective of the success our company achieves in 2011. They will work in partnership with our expanding distributor network while enjoying close support from our manufacturing and clinical development teams.

**Quality and cost effective manufacturing** – Our manufacturing team will continue developing a quality manufacturing environment and a system to support our growing sales needs. We are developing a comprehensive manufacturing and quality system that helps to

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expand our current manufacturing throughput and will improve product yields. When completed in mid 2011, we will have expanded our manufacturing capacity by 5 times compared with our current levels.

**Clinical validation of our value proposition** – KSX has a true first mover advantage in the \$30B global market space for asthma. This means that we can navigate this market space with little initial competition. However, this first mover advantage also results in the fundamental challenge of needing to educate the end users of our value proposition and more specifically, how the medical professionals and patients can benefit from our offerings. We plan to make KarmelSonix a branded name synonymous with asthma related diagnostics, monitoring and management. To accomplish this, we plan to expand our current clinical site partners to ten world class sites. This important task will be led by Dr. Noam Gavriely, our Chief Medical Officer. Dr. Gavriely will shortly report on the ground breaking clinical studies underway that help to establish new gold standards for diagnosis and management of asthma and other related diseases.

As mentioned previously, our next AGM is scheduled to be held on 30 November 2010 in Melbourne. We would look forward to hosting you then. As always, we invite comments from you, our valued shareholders, even as we implement our transformation plans that should enable the Company to emerge as a credible global solutions provider in the multibillion dollar market of asthma monitoring and management.

Thank you for continued interest in and support for KarmelSonix. I look forward to bringing you further updates in the coming weeks.

Yours sincerely,



Ross Haghighat  
Director and Interim CEO

Dated: 9th November 2010

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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.

**DISCLAIMER**

This update may contain certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the achieving of adequate commercial sales of the Company’s products, the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

KarmelSonix accepts no responsibility to update any person regarding any error or omission or change in the information in this update or any other information made available to a person or any obligation to furnish the person with further information, other than in accordance with ASX or other applicable laws or regulations.

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