KarmelSonix Limited

Appendix 4E
Preliminary Final Report

For the year ended
30 June 2008

(previous corresponding period: year ended 30 June 2007)

In compliance with Listing Rule 4.3A

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of KarmelSonix Ltd and the entities it controlled at the end of, or during, the year ended 30 June, 2008.

Directors

The following persons were Directors of KarmelSonix Ltd during the financial year and as at the date of this report:

Mr. Peter Marks	Chairman	
Dr. Reuven Regev	Executive Director	(retired 16th April 2008)
Dr. Nathan Intrator	Executive Director	(appointed 16th April 2008)
Prof. Noam Gavriely	Executive Director	
Dr. Henry Pinskier	Executive Director	(appointed 27th August 2008)
	Non-Executive Director	(reassigned 27th August 2008)
Mr Raj Logaraj	Non-Executive Director	(appointed 16th April 2008)

Review of Operations

The 2007/08 Financial Year was one of continuing completion of key product and commercial milestones. The achievement of these milestones has further consolidated the Company's ambitions to become a leading developer and producer of non-invasive clinical solutions and products for the monitoring and management of a range of respiratory conditions, including asthma, sleep apnoea and emphysema. The asthma products are the first to reach the commercial marketplace and remain the Company's current focus.

Following receipt of FDA approval and European CE Mark clearance and TGA approval for the Company's first product and core technology, the PulmoTrack ® (WIM-PC™), KSX has continued to ramp up its product development program for the additional products covering the other key segments of the Asthma diagnostic and management marketplace. This development program is currently progressing on time and on budget.

Importantly, the Company is now focusing its product development activities on the completion and release of the Wholter™ and the Personal Wheezometer™ and the implementation of a variety of commercial and distribution arrangements for these products. Early market feedback on prototypes of these products has been very positive and, as previously indicated, the Personal Wheezometer™ is expected to become the Company's flagship product.

Product Development Activities

The PulmoTrack™ (formerly WIM-PC)

On 7th November 2007 KSX announced it had received regulatory clearance from the US Food and Drug Administration (FDA) for its first product, the WIM-PC™. This clearance from the FDA allows KSX to market and use this product within the United States and constituted an important milestone in the commercialisation of the product.

In mid-March the PulmoTrack® was officially launched as the PulmoTrack® at the American Academy of Allergy, Asthma and Immunology (AAAAI) in Philadelphia. This also marked the launch of the PulmoTrack® marketing campaign within the United States. It also signaled the commencement of the highly important process of securing re-imbursement for the PulmoTrack® in the US.

During the period under review the Company continued to pursue discussions with potential distribution partners covering specific geographic areas. In particular, distribution arrangements have been entered into with companies in the Benelux countries and Taiwan and China, with product already supplied to these markets. Additionally, discussions are progressing with parties in other European countries and Australia, with arrangements expected to be completed in the near term.

Importantly, the year also saw the commencement of initial sales of the PulmoTrack® both in Australia and Taiwan and China, although these sales have only been booked in the current financial year.

As has been commented on previous occasions, the PulmoTrack is the clinical product which contains the 'wheeze rate' technology and which is the product that introduces and validates the technology, particularly in the clinical setting. The process of validation is occurring now via the conduct of various clinical validation trials in different countries and through significant exposure of the technology to key opinion leaders.

The PulmoTrack® (and other) KarmelSonix asthma products represent a new way of monitoring and managing asthma. Accordingly, the work that has been and is being done in clinical settings, particularly in hospitals in Israel, Australia, USA and Europe is essential in having this new paradigm – of 'wheeze rate monitoring' accepted as the new standard. This work is also of key importance as laying an important foundation prior to the release of the Company's next 2 products – The Wholter™ and Personal Wheezometer™.

Personal Wheezometer™

The Personal Wheezometer™ is the Company's flagship product with release due for Q2 / Q3 2009. The Wheezometer™ is a palm sized device which allows for patients and family members as well as other health professionals to assess wheeze activity at home and other settings and do so at regular intervals. Most importantly, it will be suitable for use on infants, young children as well as elderly and disabled patients. It will be a world first product and is expected to become the Company's flagship product.

As reported previously, the successful completion of the engineering prototype for the Personal Wheezometer™ and recruitment of initial patients for testing has taken place.

The WHolter™

The WHolter™ is an ambulatory acoustic recorder for continuous 24 hour data collection based on the PulmoTrack® technology. It will also be the world's first device to provide physicians with accurate and quantitative measurement of the patients respiratory condition in his/her own environment.

Marketing and Sales

In line with the Company's growing focus on commercial activities, the Company has expanded the sales and marketing teams, particularly with the recently announced appointment of US-based, Mr. Larry Murdock who will head up the Company's US operations, focusing on the areas of sales, marketing and the key area of reimbursement. Mr. Murdock has 25 years of successful marketing and sales of respiratory products in the US acquired through several senior positions. His appointment is expected to accelerate significantly the company's penetration into the US market. In addition, Dr. Henry Pinskier, a founding director of the company has been appointed to the position of Executive Director of Sales and Marketing for Asia Pacific.

Both positions are seen as key in relation to the commercial rollout of the Company's product suite.

Formation of Medical Advisory Board

During the year the Company announced the formation of this Advisory Committee which includes several leading asthma experts. The committee is chaired by Professor (Emeritus) Simon Godfrey from the Hadassah Medical Centre and Hebrew University. Other members include Professor Lyn Taussig from the University of Denver and Professor Lewis T. Smith from the Northwestern University in Chicago. The Committee's role is to provide advice to the board of KarmelSonix on the clinical incorporation of the Company's technology into mainstream medicine, customisation of current and future products and on the scientific basis of Acoustic Asthma Management. The credibility of those currently on this board is providing assistance to ensuring a smooth passage of the Company's suite of products into the market place.

Clinical Studies and Reimbursement

A broad clinical studies program has been established to support the marketing and sales activities, enhance the R&D and regulatory processes, and to provide a dossier of peer-reviewed scientific publications required for approval for reimbursement of the products' use by medical insurance companies, HMOs and Sick Funds in the US and Europe. These studies were established in the US (Northwestern, UCLA), Europe (U. of Leuven, Belgium, Bordeaux U, France), Israel (Rambam, Bney Tzion, Carmel, Wolfson Medical Centers) and in Australia (Alfred Hospital, Melbourne). All of these sites have been granted Ethics Committee approvals and studies currently are underway. Additional studies are being established in other leading medical institutions around the world.

Intellectual Property Portfolio

One of the Company's key assets is its particularly strong and robust intellectual property portfolio, including several granted and pending patents in key jurisdictions.

In the year under review the portfolio has continued to be expanded with additional patent applications being prepared. In addition, KSX subsidiary, PulmoSonix was granted an important patent over its sound transmission technology.

Capital Raising Activities

In what has been a very difficult capital markets environment the Company successfully raised approx. $5.5 million in August 2007 and an additional $1.8m via the option exercise program in June 2008. Whilst the Company is continuing to examine other avenues of fund raising, the recent announcement of the A$7.2 million equity credit facility which has been put in place with Trafalgar Capital will help to underpin the capital requirements of the Company moving forward and importantly, enable the Company to move ahead with the completion of the two key products. In addition, the Company was the recipient of a US$900,000 funding from the US-Israel BIRD Foundation to fund the joint venture product development with Sandhill Scientific of Denver, CO in the US. The VISTECH funding for combining the passive and active acoustic asthma monitor was also approved for the second year.

Summary

The year under review has been one of considerable progress and change. The Company's first product, the PulmoTrack® has been launched, receiving key regulatory approvals and has appointed initial distributors for the product. Importantly, the Company is now focused solely on completing and launching the two key additional products, the WHolter™ and Personal Wheezometer™. The Company believes that these two products which will be launched in the first half of 2009 will provide the strong and ongoing commercial underpinnings for the Company's expected commercial success going forward. All the current product development work is focused on achieving the product release milestones for these two products. At the same time, discussions have commenced with potential contract manufacturing partners for these two products, particularly in China.

The year has also seen some important management changes including the appointment of Dr. Nathan Intrator as interim CEO (replacing founding CEO, Dr. Reuven Regev), and Mr. Raj Logaraj as a non-executive director. Both individuals bring significant additional skills and experience to the Board.

The Board wishes to thank all shareholders for their continued support and interest in the activities of the Company. As everyone is aware stock markets around the world have suffered dramatic falls in the last 12 months. The KarmelSonix share price has suffered along with all other stocks. We have successfully raised additional capital during the year and recently put in place an important equity credit facility supplied by Trafalgar Capital.

As a consequence of this the Board and the entire team is committed to achieving the key milestones over the next 12 months which, if achieved, are expected to see a transformation from a product development company to a full commercial enterprise.

We look forward to bringing you further updates on the Company's progress in the near future.

Peter Marks
Chairman

Melbourne
Dated 29th August 2008

Appendix 4E for the Year Ended 30 June 2008

Results for announcement to the market

Current Reporting Period - Year Ended 30 June 2008
Previous Reporting Period - Year Ended 30 June 2007

Revenues	up	325.65%	to	$790,085
Loss from ordinary activities after tax attributable to members	up	127.91%	to	($11,678,053)
Net loss for the period attributable to members	up	127.89%	to	($11,678,053)

Dividends (distribution)	**Amount per Security**	**Franked Amount per Security**
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net Tangible Asset per Security (cents per security

As at 30 June 2008	0.88
As at 30 June 2007	0.23

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	n/a

Explanation of the above information:

KarmelSonix Ltd recorded revenue of $790,085 for the year ended 30 June 2008 (2007: $185,617), the majority of this revenue is a result of interest earnt on company bank accounts. This increase was primarily the result of a capital raising in August 2007 that raised approximately A$5.5M, before costs.

KarmelSonix Ltd has incurred a loss for the year of $11,678,053 (2007: $5,124,413). The increase in the loss for the period is associated with the company only trading for approximately eight months in the year ended 30 June 2007.

The loss includes non cash items of approximately A$4.0M, which consists of options expensed under AIFRS and valued using an option pricing model. The actual deficiency from operating activities was $5.5M as disclosed at net operating cash flows in the cash flow statement.

Please refer to the Directors' Report - Review of Operations for further information.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Economic Entity 30 June 2008 $	30 June 2007 $
Revenue	3	**790,085**	185,617
Other income		**141,034**	138,433
Amortisation Expenses		**(90,151)**	-
Consulting, Employee and Director Expenses		**(4,373,982)**	(1,204,141)
Corporate Administration Expenses		**(636,687)**	(338,562)
Depreciation Expenses		**(87,556)**	(25,565)
Marketing and Promotion		**(2,439,039)**	(737,828)
Impairment Expense		**(1,630,250)**	(1,714,086)
Research and Development		**(3,021,130)**	(1,319,296)
Travel and Entertainment		**(330,377)**	(108,484)
LOSS BEFORE INCOME TAX		**(11,678,053)**	(5,123,912)
INCOME TAX EXPENSE		**-**	-
LOSS FROM CONTINUING OPERATIONS		**(11,678,053)**	(5,123,912)
LOSS FROM DISCONTINUED OPERATIONS		**-**	(501)
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(11,678,053)**	(5,124,413)
		Cents	**Cents**
Loss per share attributable to the ordinary equity holders of the Company, from overall operations			
Basic loss per share	**9**	**(3.53)**	(3.09)
Diluted loss per share	**9**	**(3.53)**	(3.09)
Loss per share attributable to the ordinary equity holders of the Company, from continuing operations			
Basic loss per share	**9**	**(3.53)**	(3.08)
Diluted loss per share	**9**	**(3.53)**	(3.08)
Loss per share attributable to the ordinary equity holders of the Company, from discontinued operations			
Basic loss per share	**9**	**0.00**	(0.00)
Diluted loss per share	**9**	**0.00**	(0.00)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Notes	Economic Entity 30 June 2008 $	30 June 2007 $
CURRENT ASSETS			
Cash and cash equivalents		**3,370,543**	588,350
Trade and other receivables		**375,877**	407,030
Inventories		**61,676**	-
Other		**20,694**	103,601
TOTAL CURRENT ASSETS		**3,828,790**	1,098,981
NON-CURRENT ASSETS			
Plant and equipment		**216,295**	183,770
Other intangible assets		**1,712,876**	1,749,710
Other		**9,671**	19,924
TOTAL NON-CURRENT ASSETS		**1,938,842**	1,953,404
TOTAL ASSETS		**5,767,632**	3,052,385
CURRENT LIABILITIES			
Trade and other payables		**893,722**	615,068
Provisions		**17,508**	29,246
TOTAL CURRENT LIABILITIES		**911,230**	644,314
NON-CURRENT LIABILITIES			
Provisions		**3,686**	2,441
TOTAL NON-CURRENT LIABILITIES		**3,686**	2,441
TOTAL LIABILITIES		**914,916**	646,755
NET ASSETS		**4,852,716**	2,405,630
EQUITY			
Issued capital	**7**	**51,796,073**	41,307,210
Reserves	**8**	**3,875,154**	238,878
Accumulated Losses		**(50,818,511)**	(39,140,458)
TOTAL EQUITY		**4,852,716**	2,405,630

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity				
	Issued Capital $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 30 June 2006	34,296,414	108,000	-	(34,016,045)	388,369
Shares issued	7,296,963	-	-	-	7,296,963
Capital raising costs	(286,167)	-	-	-	(286,167)
Options issued	-	111,000	-	-	111,000
Net (Loss) for the period	-	-	-	(5,124,413)	(5,124,413)
Transfers to/from reserves	-	-	19,878	-	19,878
Balance at 30 June 2007	**41,307,210**	**219,000**	**19,878**	**(39,140,458)**	**2,405,630**
Shares issued	7,110,875	-	-	-	7,110,875
Capital raising costs	(345,412)	-		-	(345,412)
Options exercised	3,603,198				3,603,198
Options issued	-	3,995,472	-	-	3,995,472
Net (Loss) for the period	-	-	-	(11,678,053)	(11,678,053)
Transfers to/from reserves	120,202	(120,202)	(238,994)	-	(238,994)
Balance at 30 June 2008	**51,796,073**	**4,094,270**	**(219,116)**	**(50,818,511)**	**4,852,716**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity	
	30 June 2008	**30 June 2007**
	$	**$**
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
Payments to suppliers and employees	**(6,492,114)**	(2,611,286)
Interest received	**689,894**	38,446
Receipt of grant funding	**100,191**	149,158
Receipt of R&D Tax Concession	**140,275**	135,498
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(5,561,754)**	(2,288,184)
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
Payment for purchases of plant and equipment	**(121,755)**	(167,388)
Payment for purchases of subsidiary, net of cash acquired	**-**	114,951
Loans to other entities	**-**	(192,634)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(121,755)**	(245,071)
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Proceeds from issues of securities	**9,048,434**	2,992,558
Capital raising costs	**(345,412)**	(286,167)
Payment for rental deposits	**-**	(19,924)
NET CASH FLOWS USED (IN)/FROM FINANCING ACTIVITIES	**8,703,022**	2,686,467
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,019,513**	153,212
Cash and cash equivalents at the beginning of the year	**588,350**	415,260
Effects of exchange rate changes on cash and cash equivalents	**(237,320)**	19,878
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,370,543**	588,350

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Basis of Preparation

The company's preliminary financial report does not include all the notes of the type normally included in an annual financial report. The preliminary financial report has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements, of Australian Accounting Standards and Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards.

The preliminary financial report is presented in Australian dollars.

Significant accounting policies adopted in preparation of the preliminary financial report are consistent with those adopted by the company in preparation of the 30 June 2007 financial report and the 31 December 2007 half year financial report.

Note 2. Dividends

The Company resolved not to declare any dividends in the period ended 30 June 2008.

Note 3. Revenue

	30 June 2008	30 June 2007
Grant Income	100,191	149,158
Interest Received	689,894	36,459
	790,085	185,617

Note 4. Acquisition of Entities

KarmelSonix Ltd announced the acquisition of PulmoSonix Pty Ltd and Karmel Sonix (Israel) Limited on 5 September 2006, subject to approval by shareholders. Shareholder approval was received at the AGM held on 10 November 2006 and the acquisitions were subsequently completed on 21 November 2006, with the parent entity acquiring 100% of the issued share capital of both companies.

The consideration paid on acquisition of the two subsidiaries included a combination of ordinary shares and performance shares, which would convert to ordinary shares on achievement of various performance milestones.

On the 27 June 2008 the Directors approved the achievement of the third milestone and conversion of the Class E shares to ordinary shares. On acquistion it was not certain that this milestone would be achieved and therefore no value was attributed to these shares in the initial acquistion calculations.

On achievement of this milestone, the Class E shares were converted to ordinary shares and issued on 1 August 2008. The shares have been valued using the average market price of KSX shares over the last 5 days on which sales were recorded at 10 November 2006, the aquisition date, and have been recognised as Goodwill. The Directors have tested the carrying amount of the goodwill and have impaired the full amount of $1,630,250.

Note 5. Segment Information

Primary Reporting Format - Business Segments
The company operates only in one business segment being medical devices and technology.

Secondary Reporting Format - Geographical Segments
The company operates in the following geographical segments:

Continuing Operations	**30-June-2008**			**30-June-2007**		
	Australia	**Israel**	**Total**	**Australia**	**Israel**	**Total**
Revenue						
External Revenue	418,214	512,905	931,119	324,050	-	324,050
Unallocated Revenue	-	-	-	-	-	-
Total Revenue	418,214	512,905	931,119	324,050	-	324,050
Result						
Segment Result	(5,069,228)	(6,608,825)	(11,678,053)	(3,347,252)	(1,777,161)	(5,124,413)
Unallocated Revenue	-	-	-	-	-	-
Unallocated Expenses	-	-	-	-	-	-
Income Tax Expense	-	-	-	-	-	-
Net Result	(5,069,228)	(6,608,825)	(11,678,053)	(3,347,252)	(1,777,161)	(5,124,413)
Assets						
Segment Assets	4,003,719	1,763,913	5,767,632	1,917,948	1,134,437	3,052,385
Unallocated Assets	-	-	-			-
Total Assets	4,003,719	1,763,913	5,767,632	1,917,948	1,134,437	3,052,385
Liabilities						
Segment Liabilities	222,712	692,204	914,916	228,148	418,607	646,755
Unallocated Liabilities	-	-	-			-
Total Liabilities	222,712	692,204	914,916	228,148	418,607	646,755
Other						
Acquisition of Non Current Segment Assets	14,032	107,723	121,755	17,784	149,604	167,388

Discontinued Operations	**30-June-2008**			**30-June-2007**		
	Australia	**Israel**	**Total**	**Australia**	**Israel**	**Total**
Result						
Segment Result	-	-	-	(501)	-	(501)
Unallocated Revenue	-	-	-	-	-	-
Unallocated Expenses	-	-	-	-	-	-
Income Tax Expense	-	-	-	-	-	-
Net Result	-	-	-	(501)	-	(501)

Note 6. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 7. Issued and Unissued Capita

	Note	30 June 2008 No.	30 June 2008 $	30 June 2007 No.	30 June 2007 $
Issued and Paid Up Capital					
Fully Paid Ordinary Shares	**(a)**	273,824,583	51,796,073	206,370,597	41,307,210
D Class Shares	**(b)**	30,000,000	-	30,000,000	-
E Class Shares	**(c)**	30,000,000	-	30,000,000	-
G Class Shares	**(b)**	12,500,000	-	12,500,000	-
H Class Shares	**(b)**	12,500,000	-	12,500,000	-
Total Issued and Unissued Capital		358,824,583	51,796,073	291,370,597	41,307,210
(a) Fully Paid Ordinary Shares					
At the beginning of the year		206,370,597	41,307,210	33,972,088	34,046,414
Shares issued		28,909,793	5,480,625	172,398,509	7,546,963
Shares to be issued	**(c)**	-	1,630,250	-	-
Shares issued on exercise of options		38,544,193	3,603,198	-	-
Transfers from Reserves			120,202		-
Transaction costs relating to share issues			(345,412)		(286,167)
		273,824,583	51,796,073	206,370,597	41,307,210

(b) D, G & H Class Shares

These class shares are performance based shares, which are:

* unlisted
* non-voting
* non-transferrable, and
* convertible to ordinary shares upon acheivement of various milestones

(c) E Class Shares

On the 27 June 2008 the Directors approved the conversion of the Class E shares to ordinary shares on the achievement of the third performance milestone. However, the shares were issued after the end of the year on 1 August 2008. The shares have been valued using the average market price of KSX shares over the last 5 days on which sales were recorded at 10 November 2006, the aquisition date (refer to Note 4), and have been recognised as an addition to equity above.

Note 8. Reserves

	30 June 2008 No.	30 June 2008 $	30 June 2007 No.	30 June 2007 $
Listed Options Over Shares	-	373,560	133,750,653	219,000
Unlisted ESOP Options Over	10,600,000	2,784,361	-	-
Unlisted Options Over Shares	65,475,572	936,349	-	-
Foreign Currency Reserve		(219,116)		19,878
Total Share Based Payments	76,075,572	3,875,154	133,750,653	238,878

During the year ended 30 June 2008, the following movements in options occurrec

* Issue of 1,600,000 options to employees
* Issue of 84,000,000 options to consultants
* Issue of 14,000,000 options to a Director
* Exercise of 38,544,193 options by investors
* Forfeiture of 5,000,000 options by employees
* 113,730,888 options expired on 30 June 2008

Note 9. Loss per Share from Overall Operations

	30 June 2008	30 June 2007
Basic loss per share (cents)	(3.53)	(3.09)
Diluted loss per share (cents)	(3.53)	(3.09)
	$	$
a) Net Loss used in the calculation of basic and diluted loss per share	(11,678,053)	(5,124,413)
	No.	No.
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	330,385,072	166,096,771

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.

Note 10. Net Tangible Assets

	30 June 2008	30 June 2007
Net Tangible Assets	3,139,840	655,920
Shares	358,824,583	291,370,597
Net Tangible Assets (cents)	0.88	0.23

Note 11. Cash Flow Reconciliation

	30 June 2008	30 June 2007
(a) Reconciliation of Cash Flow from Operating Activities with Net Loss after Income Tax	(11,678,053)	(5,124,413)
Add back depreciation expense	87,556	25,565
Add back amortisation expense	90,151	-
Add back impairment of goodwill	1,630,250	1,714,086
Add back equity issued for nil consideration	4,030,861	998,905
Increase/(Decrease) in Accounts Receivable	31,153	(205,481)
Increase/(Decrease) in Other Current Assets	(21,833)	(87,150)
Increases/(Decreases) in Accounts Payable	278,654	378,158
Increases in Other Current Liabilities	(10,493)	12,146
Result (cash basis)	(5,561,754)	(2,288,184)
(b) Reconciliation of cash and cash equivalents Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:	3,370,543	588,350

Note 12. Events Subsequent to Reporting Date

On 25 August 2008 KarmelSonix Ltd announced it had entered into a three-year ongoing funding agreement with Trafalgar Capital Specialised Investment Fund. The facility of up to A$7.2M consists of two components, a standby equity drawdown facility of up to A$7.2M and a loan facility for up to A$1M as aprt of the A$7.2M facility.

The facilities have been put in place as a working capital funding arrangement which will be used on a standby basis to support 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.

For further details please refer to the announcement released on the ASX on 28 August 2008.

No other matters or circumstances have arisen since the end of the reporting period, other than the above, which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Note 13. Audit

These accounts are currently in the process of being audited. An Annual Report containing the audit report shall be provided in due course.