



“Wheeze Rate – A New Paradigm in Asthma Management”

Shareholder Update

Dear Shareholder,

This is my first official correspondence to you as the new Chief Executive Officer of iSonea, Limited (formerly KarmelSonix, Ltd.). I became interested in joining the iSonea team when I discovered that the depth of the intellectual property, the broad interest of strategic partners (distributors, device manufacturers, pharmaceutical manufacturers, disease management service providers, and US healthcare insurance payors) in working closely with the company, and the pathway to profitability could be paved with a reasonable probability of executional success. I have spent the last 20 years of my career creating, building, and exiting venture capital backed medical technology companies in the respiratory and breathing disorder markets in the US. My experience and leadership resulted in one IPO on Nasdaq, one M&A to GE Healthcare, and one independent firm becoming a global leader as a manufacturer and service provider of inhome sleep apnea diagnostic testing services/products. I was attracted to iSonea because, I believe it has a real chance to lead a global revolution in the way breathing disorders, especially asthma, are managed. In the process, we can create a billion dollar industry, while providing a solution to better detect and manage life threatening breathing disorders worldwide. iSonea offers an innovative solution for helping patients, physicians, and healthcare insurance providers to better detect life threatening breathing disorders and deliver a better patient outcome.

Why “iSonea”?

The new management team felt it important to change the name of the company to more accurately reflect what the company does and stands for. The “i” signifies innovation. “Son” refers to the Latin word “Sonus,” meaning *sound*. “ea” references the Latin word “Apnoea,” meaning *without breath*. So, the new name of the company describes what we do: *the innovative analysis of sound for breathing disorders*.

iSonea has made impressive progress over the years, and now has a few final milestones left in order to initiate a substantive revenue ramp from our core products. To expedite this growth, the new Board of Directors and new management team have been diligently collaborating with several key strategic partners on projects that will yield meaningful shareholder returns. These collaborations will leverage the strengths of global Fortune 500 healthcare companies with a substantial foot print in key markets of interest to iSonea. One of these partnerships (Omron) has already been announced. We will announce several others prior to the end of this calendar year. Through these partnerships, iSonea will gain

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access to over 65% of the global medical device diagnostic and management markets, at a significantly reduced cost.

A number of noteworthy accomplishments have been achieved in 2011, specifically;

- Finalisation of the new management team;
- Completion of a distribution agreement with Omron for distribution and regulatory assistance in Japan, Brazil, and Russia as well as one with a strategic partner (not yet disclosed) focusing on the US market;
- An outsourcing of manufacturing activities to ensure proper scalability;
- The pilot of the roll out model for the WHolter™ service in key markets and the validation of this model as a key long-term revenue generator for the company;
- The commercial piloting of the WheezoMeter™ into key markets via distribution partners and other networks;
- Continued acceptance of the Company’s Acoustic Respiratory Monitoring (ARM™) technology and products as the new paradigm for the monitoring and management of asthma and related diseases by key opinion leaders;
- A clear focus on generating increased sales activity via the established distribution network while working aggressively on reducing expenses and leveraging the assets of strategic partners to “do more with less cost.”

Our key objectives for fiscal year 2012 are:

- Fill out the remaining gaps in the management team with *best in class* executives;
- Complete our capital campaign, enabling the company to achieve substantive milestones over the next 12 months;
- Consummate additional strategic partnership deals in industries that are currently not represented (medical device manufacturer, pharmaceutical manufacturer, healthcare payor, disease management service provider, etc...);
- Initiate, complete, and publish key clinical outcome studies that enable the company and the American Thoracic Society (ATS) to jointly lobby the American Medical Association (AMA) to issue Category I CPT codes for the WheezoMeter™ and the WHolter™. Shifting the current Category III codes to Category I status will support more effective negotiation with major third party insurers and a more rapid scale up of revenue in the US.

The pathway for “innovative” companies such as iSonea, introducing a new standard of care for disease management, often leads to a strategic M&A by a major global entity, resulting in a significant upside for shareholders. As an example, one of my earlier ventures introduced a new standard of care in diagnosing and managing breathing disorders; we entertained a \$200MM offer by a pharma company when the

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firm achieved reimbursement approval in the US, despite less than \$1MM in annual sales. That company is now the market leader in the US. However, this “innovative” pathway also means that achieving large scale consumer adoption is oftentimes more challenging than that of “me too” products, if carried out by the start up itself. In my experience, iSonea’s innovator status dictates a more cost effective pathway to growth through partnerships, where our partners make their network of physicians, patients, reimbursement organizations, etc. available to us. Moreover, these partnerships will provide iSonea opportunities to save financial resources by leveraging our partner’s infrastructure. The result will be a higher level of execution competence and more substantive accomplishments at markedly reduced level of cash burn at iSonea.

Asthma is the first disease state that the company will focus on. COPD and Obstructive Sleep Apnea (OSA) will be the next areas that the company will target its development efforts towards. It is the unambiguous priority of this new management team to ensure that the support and commitment received by iSonea shareholders is appropriately rewarded on a risk-adjusted basis.

I would like to thank our shareholders for entrusting the new iSonea Board and management team as the stewards of your investment in the company. We invite your comments and contributions as we execute a plan that will enable the Company to continue as a credible global solution provider in the multibillion dollar market of asthma monitoring and management.

I am honoured to be a part of the team that will change the way medicine is practiced globally as it relates to asthma and breathing disorder management.

Thank you for your continued support and consideration.

Michael J. Thomas
Chief Executive Officer

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Dated: 23rd August 2011

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About iSonea : iSonea Ltd. focuses on supplying innovative non-invasive acoustic tools for disease management of asthma and related pulmonary disorders. Asthma affects roughly 13% of the population in developed countries with an annual impact exceeding US\$56 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.

iSonea 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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