



25 March 2020

ASX Limited

Dear Sir/Madam,

SomnoMed Limited ACN 003 255 221 (ASX:SOM) ENTITLEMENT ISSUE CLEANSING NOTICE UNDER SECTION 708AA(2) (f) OF THE CORPORATIONS ACT 2001

This Notice is given by SomnoMed Limited ("SOM" or the "Company") under *Section 708AA(2)(f) of the Corporations Act 2001 (Cth)* (the "Act") as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

Earlier today SOM announced an accelerated non-renounceable, pro-rata Entitlement Issue ("Entitlement Issue") of 1 fully paid Ordinary Share ("New Shares") for every 3.24 ordinary shares held as at 7.00pm (EST) on Friday, 27 March 2020 by SOM's Eligible Shareholders. The issue price for each New Share under the Entitlement Issue will be \$0.80.

SOM advises that:

- (a) the New Shares will be offered for issue without disclosure under Part 6D.2 of the Act;
- (b) this Notice is being given under Section 708AA(2)(f) of the Act;
- (c) as at the date of this notice SOM has complied with:
 - i. the provisions of Chapter 2M of the Act as they apply to SOM; and
 - ii. Section 674 of the Act;
- (d) as at the date of this notice there is no excluded information of the type referred to in sub-sections 708AA(8) or (9) of the Act; and
- (e) the potential effect the Entitlement Issue will have on the control of SOM, and the consequences of that effect, will depend on a number of factors, including shareholder demand. The potential effect and the consequences of that effect are assessed further below.

COVID 19 is expected to have a significant but short-term negative impact on SomnoMed's business of providing the SomnoDent® oral appliance for the treatment of obstructive sleep apnoea to our customers and their patients. The result of the spread of COVID 19 and following the lock down of many of the countries in which SomnoMed operates, means that access to and treatment from such clinicians will not be possible for the time that the lock down remains in place.

Since the most recent updates around the world regarding the spread and impact of this terrible virus, we are seeing a number of dental and medical societies recommend that practises close and refrain from such treatment for the sake of the health and wellbeing of their patients and treating staff. This is understandable and we will continue to see a growing strain on these practises, hospitals, clinics and the general healthcare system as a whole, until the rate of infection of COVID 19 is under control.

For these reasons, the Company will require additional working capital to secure the Company's future. Funds raised from the Entitlement Offer will be used for this purpose.

The Company has on issue 62,804,168 Ordinary Shares.

The Entitlement Offer is fully underwritten by Wilsons Corporate Finance Limited, subject to the terms and conditions of an underwriting agreement. The Entitlement Offer will also be sub-underwritten by one of the Company's largest shareholders, TDM Growth Partners Pty Ltd (**TDM**), subject to the terms and conditions of its sub-underwriting agreement. TDM currently holds approximately 19.8% of the Company's voting shares, has agreed to take up its entitlement in full under the Entitlement Offer and has agreed to sub-underwrite all of the New Shares offered under the retail component of the Entitlement Offer.

The Company advises that the potential effect the issue of New Shares will have on the control of SomnoMed and the consequences of that effect will depend on a number of factors, including investor demand and the extent to which Eligible Shareholders take up their entitlements. The potential effect that the issue of New Shares under the Entitlement Offer will have on the control of the Company, and the consequences of that effect, are broadly as follows:

- (a) if all Eligible Shareholders take up their entitlement in full under the Entitlement Offer, there will be no significant effect on the control of the Company;
- (b) if Eligible Shareholders do not take up some or substantially all of their entitlement under the Entitlement Offer, the shareholding interests of those Eligible Shareholders will be diluted;
- (c) the proportional interests of shareholders that are not Eligible Shareholders will be diluted because those shareholders are not entitled to participate in the Entitlement Offer; and
- (d) the voting power of TDM, who prior to the Entitlement Offer held approximately 19.8%, of voting power in the Company, may increase to the extent that it participates as a sub-underwriter under the Entitlement Offer. If no other shareholders participated in the Offer TDM's maximum voting power would be 38.7%.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Terry Flitcroft', with a long horizontal line extending to the right.

Terry Flitcroft
Company Secretary
SomnoMed Limited