



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a meeting of members of SomnoMed Limited (the "Company") will be held at Mezzanine Level, 3 Spring Street, Sydney, NSW 2000 on Thursday 24th November 2016 at 11am AEDT for the purpose of transacting the business set out in this Notice.

BUSINESS

Item 1– Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report for the year ended 30th June 2016.

Item 2– Remuneration Report

To adopt the Remuneration Report for the year ended 30th June 2016.

Item 3- Election of Director- (Ms. Lee Ausburn)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Lee Ausburn being a Director who retires by rotation, in accordance with the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

Item 4 – Issue of Options to P Neustadt Holdings Pty Limited (a company associated with Dr Peter Neustadt- a Director of the Company)

To consider and, if thought fit, to pass, the following ordinary resolution:

"That, for the purpose of Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, the members of the Company approve and authorise the grant of 175,000 options over unissued ordinary shares with an exercise price of \$3.78 per option, by the Company to P Neustadt Holdings Pty Limited (a company associated with Dr Peter Neustadt, a director of the Company) and such other related parties it so nominates, on the terms and conditions described in the Explanatory Note."

Summary of the Resolution: Under Listing Rule 10.11 of the Listing Rules of the ASX Limited, shareholders must approve any issue of equity securities to a "related party", unless an exception applies. This resolution needs the approval for the grant of options over unissued ordinary shares in the Company to P Neustadt Holdings Pty Limited, a company associated with Dr Neustadt, a "related party" of the Company.

If shareholder approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1 (ASX Listing Rule 7.2, Exception 14)

Voting Exclusion

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by any person who participated in the issue of the Shares, and any associate of such a person.

However, in accordance with the Listing Rules, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- if it is cast by the Chairman of the Meeting as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the proxy form

The Company will disregard any votes cast on this Resolution by:

- Dr Peter Neustadt or P Neustadt Holdings Pty Limited; and
- any associate of Dr Peter Neustadt or P Neustadt Holdings Pty Limited.

Appointment of Proxy

- (a) A member who is unable to attend and vote at the meeting may appoint a proxy by completing and returning the attached proxy form in the manner provided below. The proxy need not be a member of the Company.
- (b) If a member wishes to appoint a proxy, and is entitled to cast 2 or more votes, then the member may appoint 2 proxies, and may specify the proportion or number of votes each proxy may cast.
- (c) A proxy form (and the power of attorney (if any) under which it is signed) must be received at the registered office of the Company not less than 48 hours before the time of the holding of the meeting:
 - By hand: Boardroom Pty Limited - Level 12 Grosvenor Place, 225 George Street Sydney NSW 2000
 - By mail: Boardroom Pty Limited - GPO Box 3993, Sydney NSW, 2001
 - By facsimile: (02) 9290 9655

Corporate Representatives

Corporate members must either:

- appoint a proxy as set out above; or
- appoint a body corporate representative in accordance with the Corporations Act.

The appointment of a body corporate representative must be produced at the meeting.

Entitlement to Vote

For the purpose of the meeting, those members holding shares at 7pm AEDT on 22nd November 2016 will be voting members at the meeting.

Further Information

This Notice should be read in conjunction with the Explanatory Note.

By the Order of the Board of Directors.



T. A. Flitcroft
Company Secretary
Dated: 12th October 2016

EXPLANATORY NOTES ON ITEMS OF BUSINESS

Item 1: Financial Statements

As required by section 317 of the Corporations Act 2001 (Cth) (the "Act"), the Financial Report, the Directors' Report and the Auditor's Report of the Company for the most recent financial year will be laid before the meeting. Shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the management of the Company however, there will be no formal resolution put to the meeting.

Shareholders will also be provided with the opportunity to ask the representative of the Company's auditor questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

Item 2: Remuneration Report

The Directors' Report for the year ended 30 June 2016 contains a Remuneration Report, which sets out the remuneration policy for the Company and reports on the remuneration arrangements in place for Directors and certain senior executives.

The Act requires that the agenda for this Annual General Meeting include a resolution for the adoption of the Remuneration Report. The vote on the resolution is advisory only and is not binding on the Directors or the Company.

Shareholders will be provided with a reasonable opportunity to ask questions about and make comments on the Remuneration Report.

Item 3: Election of Director

Pursuant to the Company's Constitution, Ms Lee Ausburn will retire as a Director at the Annual General Meeting and offer herself for re-election.

Lee has had a long career in the health industry, beginning as a pharmacist before joining Merck and Co. Inc., a global pharmaceutical company. She progressed through a range of roles, beginning in marketing in Australia and was ultimately Vice President, Asia Merck & Co. Inc. responsible for the general management of Merck organisations and their products across Asia. During this time, Lee successfully built businesses in a number of countries, often from the very beginning, planned and launched new products, liaised with regulatory authorities and government agencies and was responsible for the management teams building Merck's business in that part of the world. After leaving Merck in 2008, she has taken on a number of non-executive director roles.

She is a non-executive director of Australian Pharmaceutical Industries (API) Ltd, which distributes pharmaceuticals to pharmacies across Australia. API also has retail pharmacy operations through Priceline stores. She is also a non-executive director of nib holdings Ltd, a health insurer.

Lee is currently President of the Pharmacy Faculty Foundation, University of Sydney.

If re-elected, Lee Ausburn will continue as a Director and be subject to retirement by rotation in accordance with the Company's Constitution.

The Board, with exception of Ms Ausburn, unanimously recommends that Shareholders vote in favour of the re-election of Ms Ausburn.

Item 4: Issue of Options to P Neustadt Holdings Pty Limited (a company associated with Dr Peter Neustadt - a Director of the Company)

ASX Listing Rule 10.11 provides that a company may not issue "equity securities" to a related party without shareholder approval. An "equity security" includes an option over unissued ordinary shares.

P Neustadt Holdings Pty Limited is associated with Dr Peter Neustadt, a director of SomnoMed Limited and, as such, is a related party of SomnoMed Limited.

SomnoMed has agreed to issue options over 175,000 unissued ordinary shares in SomnoMed in total to P Neustadt Holdings Pty Limited or its nominee ("Options"). Dr Neustadt is a director of P Neustadt Holdings Pty Limited. This special issue is to provide an incentive for Peter Neustadt in his role as Chairman of the Company in the future and in recognition of his performance as Global CEO until 30 September 2016. As at the date of this Notice of Meeting, SomnoMed has 56,912,981 ordinary shares on issue. As at the date of this notice Belgove Pty Limited & P Neustadt Holdings Pty Limited (both of which Dr Neustadt is a director) hold a total 2,806,705 shares and 500,000 options in the Company. No cash or other form of consideration will be required to be made by P Neustadt Holdings Pty Limited or its nominee for the issue of the Options.

Any funds raised on the exercise by P Neustadt Holdings Pty Limited or its nominee of the Options will be used for general working capital purposes.

The option terms were set by the Company's Remuneration Committee (excluding Dr Neustadt) based on the closing price of the Company's shares on 30th September 2016.

Each of the directors of the Company (other than Dr Neustadt) recommends that shareholders approve the issue of the Options to P Neustadt Holdings Pty Limited or its nominee.

Terms of Issue

The Options will be issued to P Neustadt Holdings Pty Limited or its nominee on the following terms:

- The 175,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to P Neustadt Holdings Pty Limited or its nominee.
- The exercise price per Option will be a fixed price of \$3.78. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 October 2019.
- If at any time prior to the exercise of any of the Options, there is a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of SomnoMed, the outstanding Options will be reorganised in the manner required by the Listing Rules of the ASX Limited on a reconstruction of capital at the time of the reconstruction.
- If SomnoMed makes a bonus issue of securities, each outstanding Option confers on each option holder the right to receive on exercise of those outstanding Options an allotment of additional securities, which the option holder would have received if it had participated in that bonus issue.
- The Options are not to be quoted on the ASX.
- The Options cannot be exercised before 30 June 2017 unless:
 - A takeover bid is announced for all or part of the shares in SomnoMed; or
 - the board of SomnoMed announces, and the majority of directors recommend, a proposed scheme of arrangement pursuant to which immediately following the implementation of the scheme of arrangement a third party will acquire and/or be the holder of all of the ordinary shares in SomnoMed; or
 - any other proposal is announced which involves a third party acquiring all or a majority interest in SomnoMed's ordinary shares.
- The option holder cannot participate in new issues without exercising the Options.