

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

SomnoMed Limited

ABN

35 003 255 221

Quarter ended ("current quarter")

30th Sept 2011

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date \$A'000 |
|---|----------------------------|-------------------------|
| 1.1 Receipts from customers | 3,052 | 3,052 |
| 1.2 Payments for | | |
| (a) staff costs | (1,232) | (1,232) |
| (b) advertising and marketing | (450) | (450) |
| (c) research and development | (30) | (30) |
| (d) leased assets | - | - |
| (e) other working capital | (1,699) | (1,699) |
| (f) business development | (140) | (140) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 28 | 28 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other income- net grants/R&D concessions | 118 | 118 |
| Net operating cash flows | (353) | (353) |

+ See chapter 19 for defined terms.

| | Current quarter \$A'000 | Year to date \$A'000 |
|--|----------------------------|-------------------------|
| 1.8 Net operating cash flows (carried forward) | (353) | (353) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investment associate | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | (80) | (80) |
| (e) other non-current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loan to associated entity | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other (provide details if material) | - | - |
| | (80) | (80) |
| Net investing cash flows | | |
| 1.14 Total operating and investing cash flows | (433) | (433) |
| Cash flows related to financing activities | | |
| 1.15 Net Proceeds/Costs from issues of shares, options, etc. | 144 | 144 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other (provide details if material) | - | - |
| | 144 | 144 |
| Net financing cash flows | | |
| Net increase (decrease) in cash held | (289) | (289) |
| 1.21 Cash at beginning of quarter/year to date | 3,949 | 3,949 |
| 1.22 Exchange rate adjustments to item 1.20 | 91 | 91 |
| 1.23 Cash at end of quarter | 3,751 | 3,751 |

+ See chapter 19 for defined terms.

SomnoMed continues growth trend

SomnoMed Limited announced today that it has continued to achieve strong sales growth for the first quarter FY2012. Total SomnoDent® unit sales for the first three months were 6,732 units, representing a growth of 28% over the first quarter of 2010. This was as a result of European unit sales increasing by 45% and North American unit sales increasing by 24% compared to the same quarter last year. APAC and Japan have also posted quarterly unit growth figures of 10% and 50% respectively over the last year.

In the September quarter, revenues have grown 13% over the same period last year, to reach total sales revenues of \$3.2m for the first three month period. Revenue growth with constant exchange rates would have been 23%.

The MAS Gross Margin for the quarter was 66%, achieved through much improved manufacturing and logistics efficiencies and better than the 64% MAS gross margin achieved in the same quarter last year.

During the September Quarter a Medicare PDAC code E0486 was granted to the entire SomnoDent® product group in the US, yet another milestone in terms of acceptance for this increasingly growing treatment modality.

"We have had eleven months of consecutive sales growth in Europe, which is very pleasing," commented Mr. Ralf Barschow, SomnoMed's CEO. "This ongoing unit growth has again resulted in another profitable quarter for the company," he said.

Last week SomnoMed attended Worldsleap 2011, the 6th Quadrennial Congress of the World Sleep Federation held in Kyoto, Japan. For SomnoMed it presented the perfect opportunity to display the SomnoDent® therapy to a broad international group of the Sleep medical community. Particular focus was given to SomnoMed MATRx, the new SomnoDent® titration technology for sleep laboratories.

SomnoMed MATRx recently received a technology award at the annual congress of the American Dental Association in Las Vegas. This prestigious award is only given to new technologies with the potential to provide significant changes to a particular industry.

"Innovation is a key driver for our growth going forward to become a mainstream treatment modality for OSA. It was very rewarding to see presentations in Kyoto showing the efficacy of SomnoDent® for mild, moderate and also severe sleep apnea patients. Product innovations such as SomnoMed MATRx and SomnoDent® G2 again will define a new standard in oral appliance treatment and technology," commented Mr Barschow.

After expenditure on European and USA regulatory requirements, further investment in the Company's production facilities and ongoing investment in the development of the new SomnoDent® G2 device scheduled for release in early 2012 the cash balance at the end of the quarter was \$3.75 million.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 65 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | - |

1.26 Explanation necessary for an understanding of the transactions

| |
|--|
| Payments made during the quarter include directors' fees |
|--|

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|-----|
| N/A |
|-----|

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

| |
|-----|
| N/A |
|-----|

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Reconciliation of cash

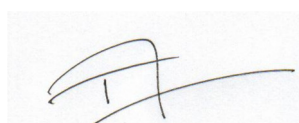
| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 1,835 | 2,653 |
| 4.2 Deposits at call | 1,916 | 1,296 |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) Bank Bills | - | - |
| Total: cash at end of quarter (item 1.22) | 3,751 | 3,949 |

Acquisitions and disposals of business entities

| | Acquisitions <i>(Item 1.9(a))</i> | Disposals <i>(Item 1.10(a))</i> |
|---|--------------------------------------|------------------------------------|
| 5.1 Name of entity | N/A | N/A |
| 5.2 Place of incorporation or registration | | |
| 5.3 Consideration for acquisition or disposal | | |
| 5.4 Total net assets | | |
| 5.5 Nature of business | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
 (Company Secretary)

Date: 26th October 2011

Print name: T A Flitcroft

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.