

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a meeting of members of SomnoMed Limited (the "Company") will be held at the Royal Room, Level 13, 167 Macquarie Street, Sydney, NSW 2000 on Wednesday 21<sup>st</sup> November 2012 at 2.30pm 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 30<sup>th</sup> June 2012.

#### Item 2– Remuneration Report

To adopt the Remuneration Report for the year ended 30<sup>th</sup> June 2012.

#### Item 3- Election of Director- (Dr Peter Neustadt)

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

"That Peter Neustadt 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 Belgove 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 125,000 options over unissued ordinary shares with an exercise price of \$0.87 per option, by the Company to Belgove 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 Belgove Pty Limited, a company associated with Dr Neustadt, a "related party" of the Company.

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

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

However, the Company need not disregard a vote if:

1. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; and
2. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **Item 5 – Issue of Options to Ms Lee Ausburn (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 50,000 options over unissued ordinary shares with an exercise price of \$0.87 per option, by the Company to Ms Lee Ausburn (a director of the Company) and such other related parties she 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 Ms Lee Ausburn, a “related party” of the Company.

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

- Ms Lee Ausburn; and
- any associate of Ms Lee Ausburn.

However, the Company need not disregard a vote if:

3. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; and
4. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **Item 6 – Issue of Options to Mr Robert Scherini (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 50,000 options over unissued ordinary shares with an exercise price of \$0.87 per option, by the Company to Mr Robert Scherini (a director of the Company) and such other related parties he 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 Mr Robert Scherini, a “related party” of the Company.

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

- Mr Robert Scherini; and
- any associate of Mr Robert Scherini.

However, the Company need not disregard a vote if:

5. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; and
6. it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **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 7, 207 Kent 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.

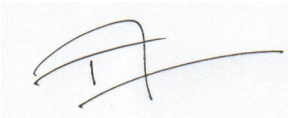
### **Entitlement to Vote**

For the purpose of the meeting, those members holding shares at 7pm on 19<sup>th</sup> November 2012 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: 15<sup>th</sup> October 2012

## 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 2012 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, Dr Peter Neustadt will retire as a Director at the Annual General Meeting and offers himself for re-election.

Dr. Peter Neustadt, born in Germany, studied in Switzerland at St.Gall Graduate School for Business & Economics, where he earned a Master in Economics (lic.oec.HSG) Doctorate in Business Administration (Dr.oec). He worked for McKinsey & Company based in Switzerland and in Mexico.

Dr Neustadt moved to Australia and joined Kerry Packer in 1980 as a member of the executive board of Consolidated Press Holdings. He was Executive Chairman and principal shareholder in diverse media group Communications & Entertainment Limited until 1987. He founded and managed resort and property group Cypress Lakes Group Limited and The Golden Door group of companies until the end of 2005. Dr Neustadt also served on the board of Channel Ten, Advance Bank, Trafalgar Properties Limited and Manboom Pty Ltd.

He is currently Chairman of mortgage and financial services group Vow Financial Holdings Pty Limited and technology group FireWatch Australia Pty Limited. He is a member of a number of private company boards in Australia and in Europe.

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

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

**Item 4: Issue of Options to Belgove 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.

Belgove Pty Limited is associated with Dr Peter Neustadt, a director of SomnoMed Limited and, as such, is a related party of SomnoMed Limited ("**SomnoMed**").

SomnoMed has agreed to issue options over 125,000 unissued ordinary shares in SomnoMed in total to Belgove Pty Limited (**Options**). The issue provides a long- term incentive to Belgove Pty Limited and through that company Dr Neustadt as a director of the company. As at the date of this Notice of Meeting, SomnoMed has 42,350,920 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 of 3,496,023 shares in the Company. No cash or other form of consideration will be required to be made by Belgove Pty Limited or its nominee for the issue of the Options.

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

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

**Terms of Issue**

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

- The 100,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to Belgove Pty Limited or its nominee.
- The exercise price per Option will be a fixed price of 87 cents. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 October 2015.
- 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 1 November 2014 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.
- The Options are not to be quoted on the ASX.

## **Item 5: Issue of Options to Ms Lee Ausburn (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.

Ms Lee Ausburn is a director of SomnoMed Limited and, as such, is a related party of SomnoMed Limited ("**SomnoMed**").

SomnoMed has agreed to issue options over 50,000 unissued ordinary shares in SomnoMed in total to Ms Lee Ausburn (**Options**). The issue provides a long-term incentive to Ms Ausburn as a director of the company. As at the date of this Notice of Meeting, SomnoMed has 42,350,920 ordinary shares on issue. As at the date of this notice Ms Ausburn holds 19,499 shares in the Company. No cash or other form of consideration will be required to be made by Ms Ausburn or her nominee for the issue of the Options.

Any funds raised on the exercise by Ms Ausburn or her nominee of the Options will be used for general working capital purposes.

Each of the directors of the Company (other than Ms Ausburn) recommends that shareholders approve the issue of the Options to Ms Lee Ausburn or her nominee.

### **Terms of Issue**

The Options will be issued to Ms Lee Ausburn or her nominee on the following terms:

- The 50,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to Ms Lee Ausburn or her nominee.
- The exercise price per Option will be a fixed price of 87 cents. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 October 2015.
- 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 1 November 2014 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.
- The Options are not to be quoted on the ASX.

**Item 6: Issue of Options to Mr Robert Scherini (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.

Mr Robert Scherini is a director of SomnoMed Limited and, as such, is a related party of SomnoMed Limited ("**SomnoMed**").

SomnoMed has agreed to issue options over 50,000 unissued ordinary shares in SomnoMed in total to Mr Robert Scherini (**Options**). The issue provides a long- term incentive to Mr Scherini as a director of the company. As at the date of this Notice of Meeting, SomnoMed has 42,350,920 ordinary shares on issue. As at the date of this notice Mr Scherini holds no shares in the Company. No cash or other form of consideration will be required to be made by Mr Scherini or his nominee for the issue of the Options.

Any funds raised on the exercise by Mr Scherini or his nominee of the Options will be used for general working capital purposes.

Each of the directors of the Company (other than Mr Scherini) recommends that shareholders approve the issue of the Options to Mr Scherini or his nominee.

**Terms of Issue**

The Options will be issued to Mr Robert Scherini or his nominee on the following terms:

- The 50,000 Options will be issued within 1 month from the date of the member's meeting to approve the issue of the options to Mr Robert Scherini or his nominee.
- The exercise price per Option will be a fixed price of 87 cents. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 October 2015.
- 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 1 November 2014 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.
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