



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 Thursday 21st November 2013 at 11:30am 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 2013.

Item 2– Remuneration Report

To adopt the Remuneration Report for the year ended 30th June 2013.

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- Appointment of Auditor

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

"That BDO East Coast Partnership be appointed auditor of the company."

Item 5 – 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 200,000 options over unissued ordinary shares with an exercise price of \$1.23 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.

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 AEDT on 19th November 2013 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: 21st October 2013

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 2013 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. During this period, she progressed through a range of roles, beginning in marketing before becoming responsible for reimbursement and pricing of Merck products in Australia.

In 1998 she moved into a regional role and was ultimately Vice President, Asia Merck & Co. Inc. responsible for the general management and strong growth of Merck organisations and their products across Asia reporting directly to the executive responsible for the geographic area in the US. During this time, Lee 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 built and supervised management teams responsible for 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.

In addition she is a member of two NSW government boards which are responsible for the implementation of the Garling recommendations to improve the quality of care in NSW hospitals- the Clinical Excellence Commission and the Agency for Clinical Innovation. She is currently the Vice President 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: Appointment of Auditor

Notification was given to the company by Stirling International of their intention to resign as auditor and BDO East Coast Partnership needs to be approved as the replacement auditor at the AGM. A copy of the Notice of Nomination of BDO East Coast Partnership as auditor is attached.

Should the resolution be passed BDO East Coast Partnership will be appointed as auditor of the Company. The Board unanimously recommends that Shareholders vote in favour of this resolution.

Item 5: 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 200,000 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 43,446,996 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 and 125,000 options 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 200,000 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 \$1.25. Each Option exercised entitles the option holder to be issued with one new ordinary share.
- The Options will expire on 31 October 2016.
- 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 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.

BELGOVE PTY LIMITED

The Directors
SomnoMed Limited
Level 3, 20 Clarke Street
Crows Nest NSW 2065

11th October 2013

Dear Directors

The undersigned being a member of SomnoMed Limited hereby nominates BDO East Coast Partnership for appointment as auditor of the company at the forthcoming annual general meeting.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Peter Neustadt', written in a cursive style.

Belgove Pty Limited
Dr Peter Neustadt
Director