



Summary of material terms of employment agreement between SomnoMed Limited and Mr Derek Smith.

Commencement date as CEO	On a date to be agreed between the Company and Mr Smith but no later than 1 September 2016.
Term	No fixed term. Ongoing until terminated by either party in accordance with the Agreement (see below).
Base remuneration	US\$450,000 per annum.
Bonus	Maximum opportunity of 50% of Base Remuneration subject to achievement of KPI's. Bonus is pro rata for the period from the Commencement Date to 30 June 2017.
Option grants	<p>Three tranches of options to purchase shares in SomnoMed Limited in the following amounts and on the following dates:</p> <ul style="list-style-type: none"> • 300,000 shares on October 3, 2016; • 300,000 shares in October 2017; and • 300,000 shares in October 2018 <p>subject to vesting conditions, including Mr Smith's continued employment with the Company.</p> <p>Each tranche of options will be issued at an exercise price equal to the weighted average market price of SomnoMed Limited's shares traded during the thirty (30) days prior to their issue.</p> <p>Options expire between 30 September 2021 and 30 September 2022.</p>
Notice period	At will.
Termination entitlements	If termination is without cause, Mr Smith will receive three (3) months Base Remuneration plus an additional three (3) months for each completed year of service, up to an aggregate maximum of twelve (12) months.
Post-employment restraint	A 12 month restraint provision applies.
Other material terms	Should a Change in Control event take place within the first twenty-four (24) months of employment, (and Mr Smith is asked to terminate his employment without Cause) the Company will immediately issue the number of options that would have been issued in the first twelve (12) months following the Change in Control event, and he will also receive full acceleration of the vesting of these options.
Foregone incentives	As compensation for any bonuses and stock forgone by Mr Smith at his existing employer, the Company will issue Mr Smith at his Start Date 200,000 Options which vest immediately and will be exercisable at any time prior to August 31, 2019. The exercise price for these Options will be the weighted average market price of SOM ordinary shares traded on the ASX during the thirty day period of August 1 to August 31, 2016.