



19 February 2018

ASX Limited

Dear Sirs,

**SomnoMed Limited ACN 003 255 221 (ASX:SOM) ENTITLEMENT ISSUE CLEANSING NOTICE UNDER SECTION 708AA(2) (f) OF THE CORPORATIONS ACT 2001**

This Notice is given by SomnoMed Limited (“SomnoMed”, “SOM” or the “Company”) under *Section 708AA(2)(f) of the Corporations Act 2001 (Cth)* (the “Act”) as notionally modified by ASIC Class Order 08/35.

Earlier today SOM announced an accelerated pro-rata non-renounceable Entitlement Issue (“Entitlement Issue”) of one (1) fully paid Ordinary Share (“New Share”) for every seventeen (17) ordinary shares held as at 7.00pm (Sydney Time) on 21 February 2018 by SOM’s Eligible Shareholders. The issue price for each New Share under the Entitlement Issue will be \$3.00.

SOM advises that:

- (a) the New Shares will be offered for issue without disclosure under Part 6D.2 of the Act;
- (b) this Notice is being given under Section 708AA(2)(f) of the Act;
- (c) as at the date of this notice SOM has complied with:
  - i. the provisions of Chapter 2M of the Act as they apply to SOM; and
  - ii. Section 674 of the Act;
- (d) as at the date of this notice there is no excluded information of the type referred to in sub-sections 708AA(8) or (9) of the Act; and
- (e) the potential effect the Entitlement Issue will have on the control of SOM, and the consequences of that effect, will depend on a number of factors, including shareholder demand. The potential effect and the consequences of that effect are assessed further below.

SomnoMed has successfully commenced the rollout of its “Direct to Patient” Obstructive Sleep Apnea (“OSA”) model through its Renew Sleep Solutions (“RSS”) centres across North America and wishes to continue this expansion, which requires additional working capital. Funds raised from the Entitlement Issue will be used for this purpose.

The Company has on issue 58,749,011 Ordinary Shares, 1,225,000 Options and has agreed to issue a further 400,000 Options. The Company does not anticipate that a significant number of options, if any, will take advantage of the Entitlement Issue.

TDM Asset Management Pty Ltd ("TDM") has advised it is their intention to subscribe for the shortfall of Entitlement Issue up to a maximum of 3,445,000 shares. TDM is not (through itself or its affiliates) required to take up shortfall to the extent that doing so would result in TDM or any of its affiliates breaching section 606 of the Corporations Act 2001 (Cth).

The issue of New Shares under the Entitlement Issue is not expected to have any material effect or consequence on the control of SomnoMed, but is dependent on a number of factors including investor demand. Therefore, it is not possible to predict the effect of the Entitlement Issue on the control of SomnoMed. There are a number of possible outcomes that may arise which will, largely, depend on the extent to which eligible shareholders take up their Entitlements and apply for top up shares.

If all eligible shareholders take up their Entitlement, each eligible shareholder's ownership interest (and voting power) in SomnoMed will remain largely unchanged and the effect on the control of SomnoMed will be negligible.

To the extent that any eligible shareholder fails to take up their Entitlement, that eligible shareholder's percentage holdings in SomnoMed will be diluted by those other eligible shareholders who take up some, all or more than their Entitlement. The voting power of ineligible foreign shareholders will be diluted.

If no eligible shareholders other than entities associated with the Company's Chairman, Peter Neustadt and TDM take up their Entitlement (which the board of SomnoMed considers unlikely), then to the extent that the shortfall shares have not been placed by the Board at its discretion, TDM will be required to subscribe, for up to 3,445,000 shortfall shares. In these circumstances, the maximum possible voting power of TDM will be 19.7%.

However, as TDM's obligations will arise post the Entitlement Issue and any placement of the shortfall shares by the Board at its discretion, the board of SomnoMed considers that the Entitlement Issue will not affect the control of SomnoMed.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Terry Flitcroft', written over a horizontal line.

Terry Flitcroft  
*Company Secretary*  
**SomnoMed Limited**