



SomnoMed Limited

ACN 003 255 221

Prospectus

For a pro-rata accelerated non-renounceable entitlement offer to Eligible Shareholders of approximately 107.5 million New Shares at an issue price of \$0.21 per New Share on the basis of 1 New Shares for every 1.01 Shares held on the Record Date to raise approximately \$22.6 million before expenses.

The Retail Entitlement Offer closes at 5.00pm AEST on Wednesday, 1 May 2024 (unless extended). Valid acceptances must be received before that date.

The Entitlement Offer is fully underwritten by the Lead Manager, being Wilsons. Refer to section 5.4 of this Prospectus for further details regarding the Underwriting Agreement.

IMPORTANT NOTICE

This Prospectus under section 713 of the Corporations Act requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker, accountant or professional adviser.

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Important Notes

This Prospectus is dated 9 April 2024 and was lodged with the ASIC on that date. Neither the ASIC, ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. New Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

The Company will apply to ASX for Official Quotation of the New Shares offered pursuant to this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of the Company.

Eligible Shareholders should read this Prospectus in its entirety and seek professional advice where necessary.

An Application for New Shares and Additional New Shares by Eligible Retail Shareholders under the Retail Entitlement Offer will only be accepted by following the instructions on the Entitlement and Acceptance Form accompanying this Prospectus as described in section 1.17 of this Prospectus.

Cooling off rights do not apply to an investment in New Shares under the Entitlement Offer. This means that you cannot withdraw your Application or payment once it has been accepted unless permitted to do so in accordance with the Corporations Act.

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the *Corporations Act*) and has been prepared in accordance with section 713 of the *Corporations Act*. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the *Corporations Act* and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation.

International Offer Restrictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document

immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third-party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (including name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements. If you do not provide the information required on the Entitlement and Acceptance Form the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered offices.

References to "you" and "your Entitlement"

In this Prospectus, references to "you" are references to Eligible Retail Shareholders and references to "your

Entitlement" (or "your Entitlement and Acceptance Form") are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders.

Withdrawal of the Entitlement Offer

SomnoMed reserves the right to withdraw all or part of the Entitlement Offer and this Prospectus at any time, subject to applicable laws, in which case SomnoMed will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest. To the fullest extent permitted by law, you agree that any Application Monies paid by you to SomnoMed will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to SomnoMed.

Governing Law

This Prospectus, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales. Each Applicant for New Shares submits to the nonexclusive jurisdiction of the courts of New South Wales.

Key definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. Please refer to section 7 of this Prospectus for a list of defined terms.

Forward looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and such other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks,

uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 4 of this Prospectus. All references to FY24 and FY25 appearing in the Prospectus are to the financial year ended 30 June 2024 and 30 June 2025, respectively and are unaudited.

Key risks

For a summary of the key risks associated with further investment in the Company, please refer to the Investment Overview. A more detailed description of the key risks is set out in section 4.

Enquiries

If you have any questions in relation to the Entitlement Offer, please contact your stockbroker, accountant, solicitor or other professional advisor. If you have any questions in relation to the Shares upon which your Entitlement has been calculated or how to complete the Entitlement and Acceptance Form, SomnoMed Offer Information Line on 1300 737 760 within Australia, or +61 2 9290 9600 outside Australia from 8.30am to 5.00pm (AEST) Monday to Friday.

Letter from the Chairman

Dear Shareholder,

SomnoMed Limited – Entitlement Offer

On behalf of the Board, I am pleased to invite you to participate in SomnoMed's fully underwritten 1 for 1.01 accelerated pro-rata non-renounceable Entitlement Offer which is anticipated to raise approximately \$22.6 million (before costs).

Following a comprehensive overview of the operational challenges that are impacting current performance and leading to revised earnings guidance for FY24, the Company has made the decision to conduct the Entitlement Offer now in order to:

- fund a more aggressive restructuring plan that will materially reduce costs with effect from FY25;
- seek additional funding through equity, rather than debt, as this is a preferred capital structure given the current stage of the business and to set the Company up for future growth;
- pay down the Epsilon Facility now rather than wait until FY25 when the debt becomes current and payable, particularly given the Company is likely to be in breach of its financial covenants under this facility when next tested at the end of FY24 in the absence of conducting the Entitlement Offer and repaying the debt (or renegotiating its covenants for a second time); and
- provide urgent additional investment to improve the Company's current manufacturing capacity to satisfy the increasing demand for the Company's products and mitigate the risk of a single operations site.

See Section 3 for further details of this Company update. The decision to undertake an equity capital raising was made by the Board on the recommendation of the independent board committee which is a sub-group of the Company's directors that excludes TDM's nominee director which was formed for the purpose of considering the terms and pricing of the Entitlement Offer.

The success of the Entitlement Offer is critical to the future of the Company, which is why it is significant that the Entitlement Offer is fully underwritten by Wilsons.

It is intended that proceeds of the Entitlement Offer (after costs) will be directed towards cleaning the Company's balance sheet, reducing costs and investing into manufacturing capacity initiatives and Rest Assure® scalability (see Section 1.5 for further information).

To participate in this opportunity, the full details of the Entitlement Offer are included in this Prospectus, which I encourage you to read (particularly the key risks in section 4) carefully and in its entirety. Additionally, because SomnoMed's largest shareholder, TDM has agreed to take up its Entitlements in full and to sub-underwrite the entire Entitlement Offer, I draw your attention to Section 2.11 that explains the potential control implications of the Entitlement Offer.

On behalf of the Board, I invite you to consider this investment opportunity and thank you for your continued support.

Information on how to apply for New Shares under the Entitlement Offer is set out in section 1.17.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Russo', written in a cursive style.

Guy Russo
Non-Executive Chairman

Corporate Directory

Directors	Guy Russo (Non-Executive Chairman) Amrita Blickstead (Executive Director and Co-CEO) Karen Borg (Executive Director and Co-CEO) Michael Gordon (Non-Executive Director) Hamish Corlett (Non-Executive Director)		
Company Secretary	Terence Flitcroft		
Company Registered and principal office	Level 3, 20 Clarke Street Crows Nest NSW 2065 Telephone: +61 2 9467 0400 Facsimile: +61 2 9467 0467 Web: http://www.SomnoMed.com.au/	Share Registry*	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000 Telephone: 02 9290 9600
Lead Manager and underwriter	Wilsons Corporate Finance Limited AFS Licence 238 383 Level 32 Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000	ASX Code	SOM

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

Important Dates*

Event	Date*
Announcement of Entitlement Offer and Appendix 3B Prospectus lodged at ASIC and ASX Institutional Entitlement Offer bookbuild opens and closes	Tuesday 9 April 2024
Announcement of results of Institutional Entitlement Offer Voluntary suspension lifted and trading resumes on an ex-entitlement basis	Wednesday 10 April 2024
Record Date to determine Entitlements	7:00pm (AEST) Thursday 11 April 2024
Settlement of Institutional Entitlement Offer	Monday 15 April 2024
Prospectus / Entitlement and Acceptance Form despatched Retail Entitlement Offer (Retail Opening Date) Lodge Appendix 2A for the Institutional Entitlement Offer (by 12:00pm AEST)	Tuesday 16 April 2024
Normal trading of New Shares issued under the Institutional Entitlement Offer expected to commence on ASX	Wednesday 17 April 2024
Last day to extend Retail Entitlement Offer	Friday 26 April 2024
Retail Entitlement Offer closes** (Retail Closing Date)	5:00pm (AEST) Wednesday 1 May 2024
Announcement of results under Retail Entitlement Offer	Monday 6 May 2024
Settlement of Retail Entitlement Offer	Tuesday 7 May 2024
Allotment of New Shares under Retail Entitlement Offer Lodge Appendix 2A for the Retail Entitlement Offer (pre-market open)	Wednesday 8 May 2024
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Thursday 9 May 2024
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Friday 10 May 2024

* These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules and the Corporations Act.

** The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. As such, the date the New Shares are expected to commence trading on ASX may vary.

Investment Overview

This section provides a summary of information that is key to a decision to invest in New Shares. This is a summary only. Potential investors should read this entire Prospectus carefully.

If you are unclear in relation to any aspect of the Offer, or if you are uncertain whether New Shares are a suitable investment for you, you should consult your financial or other professional adviser.

Question	Response	Where to find more information
What is the Entitlement Offer, what is being offered and at what price?	<p>The Entitlement Offer is an accelerated non-renounceable pro rata entitlement offer of New Shares in the Company. Under the Entitlement Offer, all Eligible Shareholders are being offered the opportunity to acquire 1 New Shares for every 1.01 Share held at the Record Date at a price of \$0.21 per New Share.</p> <p>The Entitlement Offer consists of the:</p> <p>(a) Institutional Entitlement Offer: Eligible Institutional Shareholders will be given the opportunity to take up all or part of their Entitlement. Entitlements under the Institutional Entitlement Offer are non-renounceable. The Lead Manager will provide all Eligible Institutional Shareholders with details of the Institutional Entitlement Offer and how to apply under the Institutional Entitlement Offer at the commencement of the Institutional Entitlement Offer.</p> <p>(b) Retail Entitlement Offer: Eligible Retail Shareholders will be given the opportunity to take up all or part of their Entitlement. Retail Entitlements are also non-renounceable. Eligible Retail Shareholders who have applied for their full Entitlement can also apply for Additional New Shares in excess of their Entitlement under the Oversubscription Facility. There is no guarantee that Eligible Retail Shareholders will be allocated any Additional New Shares under the Oversubscription Facility.</p> <p>The Entitlement Offer is fully underwritten by the Lead Manager. The underwriting is subject to the terms and conditions set out in Underwriting Agreement, which is described in section 5.4.</p>	Sections 1.1 and 1.2
How many new securities will be issued?	The number of New Shares that will be issued under the Entitlement Offer (including any Shortfall) is 107,516,234.	Sections 2.6 and 2.8
What is the amount that will be raised under the Entitlement Offer	Unless the Underwriting Agreement is terminated before completion of the Offer, the Company will raise approximately \$22.6 million through the issue of New	Section 1.5

Question	Response	Where to find more information
and what is the purpose of the Entitlement Offer?	<p>Shares under the Entitlement Offer (before expenses of the Entitlement Offer).</p> <p>The purpose of the Entitlement Offer is to raise funds to:</p> <ul style="list-style-type: none"> (a) clean the Company's balance sheet and reduce costs; and (b) invest into manufacturing capacity initiatives and Rest Assure® scalability. 	
Who is eligible to participate in the Entitlement Offer?	<p>The Institutional Entitlement Offer is made to Eligible Institutional Shareholders only. An Eligible Institutional Shareholder under this Prospectus is any Shareholder as at the Record Date who is an Institutional Investor and who the Lead Manager in agreement with the Company determine may receive an offer on behalf of the Company under the Institutional Entitlement Offer.</p> <p>The Retail Entitlement Offer Is made to Eligible Retail Shareholders only. Eligible Retail Shareholders are those persons who:</p> <ul style="list-style-type: none"> (a) are registered as a holder of Shares as at 7.00pm (AEST) on the Record Date; and (b) have a registered address in Australia or New Zealand or are, in the opinion of the Company, otherwise eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer; (c) are not an Eligible Institutional Shareholder; and (d) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent that such Eligible Retail Shareholders hold Shares for the account or benefit of such other person in the United States). <p>If you are not an Eligible Retail Shareholder, you are not able to participate in the Retail Entitlement Offer.</p> <p>The Company may (in its absolute discretion) extend the Retail Entitlement Offer to any Shareholder in other foreign jurisdictions (subject to compliance with applicable laws). The Entitlement Offer is not available to any person in the United States or any person acting for the account or benefit of a person in the United States.</p>	Sections, 1.14 and 1.15
What are the alternatives for Eligible Shareholders	<p>The Entitlement Offer is non-renounceable so you cannot trade your Entitlements. As an Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> (a) take up all of your Entitlements and, if you are an Eligible Retail Shareholder, apply for Additional 	Section 1.17

Question	Response	Where to find more information
under the Entitlement Offer?	<p>New Shares above your Entitlement under the Oversubscription Facility;</p> <p>(b) take up part of your Entitlements, and allow the balance of your Entitlements to lapse; or</p> <p>(c) allow all of your Entitlements to lapse.</p>	
How do I accept all or part of the Retail Entitlement Offer?	<p>If you are an Eligible Retail Shareholder and you wish to take up all or part of your Entitlement, you must:</p> <ul style="list-style-type: none"> • pay the amount indicated on your Entitlement and Acceptance Form via BPAY® in accordance with the instructions on the Entitlement and Acceptance Form so that the funds are received before 5:00pm (AEST) on the Closing Date; or • fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate Application Monies. 	Section 1.17.
Can I withdraw my Application?	Cooling off rights do not apply to an investment in New Shares under the Entitlement Offer. You cannot withdraw your Application or payment once it has been accepted unless permitted to do so in accordance with the Corporations Act.	Section 1.8
Can Eligible Retail Shareholders apply for New Shares in excess of their Entitlement?	Yes. Under the Oversubscription Facility, Eligible Retail Shareholders (other than Directors and related parties) who have applied for their full Entitlement may also apply for Additional New Shares.	Section 1.4
Is the Entitlement Offer underwritten?	<p>The Entitlement Offer is fully underwritten by the Lead Manager. The underwriting is subject to the terms and conditions of the Underwriting Agreement, which are summarised in section 5.4.</p> <p>The Lead Manager is not a related party of the Company.</p>	Sections 1.9 and 5.4
How will Shortfall be allocated?	<p>In order to maximise the level of take-up under the Entitlement Offer and also reduce the scope for the Entitlement Offer to impact control, the Entitlement Offer includes the following Shortfall dispersion mechanisms:</p> <p>(a) (Oversubscription Facility) The Retail Entitlement Offer will also include an Oversubscription Facility, which entitles Eligible Retail Shareholders who have applied for their Entitlement in full to apply for Additional New Shares, subject to the Company's absolute discretion to scale back applications for Additional New Shares. Additional New Shares under the Oversubscription Facility will be issued to</p>	Sections 1.4

Question	Response	Where to find more information
	<p>Eligible Retail Shareholders that have applied for Additional New Shares in priority to and before any allocation of the Shortfall is made to the Lead Manager (acting as underwriter) and any sub-underwriters.</p> <p>(b) (Shortfall Bookbuild) Following completion of the Institutional Entitlement Offer, the Lead Manager, and the Company will determine the number of any Shortfall Shares after acceptances by Eligible Shareholders. These Shortfall Shares together with Entitlements of any Ineligible Foreign Shareholders will be offered at the Offer Price to new and existing institutional and sophisticated investors (other than TDM) in the Shortfall Bookbuild which is intended to be a bookbuild as to volume only. To the extent there is any shortfall following the Shortfall Bookbuild, it will be taken up by the Lead Manager and in turn by TDM as sub-underwriter to the Entitlement Offer (along with, but after allocations to, any sub-underwriters that have been appointed up to their sub-underwriting commitments). An IBC that excludes TDM's nominee director was formed for the purpose of considering the terms and pricing of the Entitlement Offer, with support from external advisors. The IBC has reviewed and approved the terms and pricing of the Entitlement Offer.</p> <p>(c) (Shortfall allocation policy) Subject to the terms of the Underwriting Agreement, the Shortfall will be allocated by the Lead Manager in consultation with SomnoMed (acting through the IBC) having regard to the guidance relating to dispersion strategies set out in GN 17 and in accordance with the allocation policy described in Section 1.4.</p>	
What is the effect on control of the Company?	<p>New Shares issued under the Entitlement Offer will comprise approximately 49.8% of the Shares on issue after completion of the Offer. Item 13 of section 611 of the Corporations Act provides an exception to the takeover restrictions where a person underwrites or sub-underwrites an issue of securities under a prospectus or other disclosure document, and where the prospectus discloses the effect that this would have on the person's voting power in the company.</p> <p>As at the date of its last substantial shareholder filing, TDM holds 30.00% voting power in the Company and TDM has agreed to sub-underwrite the Entitlement Offer (see section 1.11 for further details). Through its participation in the Entitlement Offer, and any subscription of New Shares as a sub-underwriter of the Entitlement Offer, it is likely that the percentage shareholding of TDM will increase. It is not possible to determine at this stage</p>	Sections 2.10 and 2.10

Question	Response	Where to find more information
	<p>the extent of that increase and TDM will need to comply with the provisions of Chapter 6 of the Corporations Act, see section 2.11 below for further details of the potential impact the Entitlement Offer may have on control of the Company.</p> <p>The Shortfall dispersion mechanisms as described in Section 1.4 are intended to minimise the potential control implications of the Entitlement Offer.</p>	
What is the IBC and what is its role	<p>The IBC is a sub-group of the Company's directors that excludes TDM's nominee director and was formed for the purpose of considering the terms and pricing of the Entitlement Offer, with support from external advisors. The IBC has reviewed and approved the terms and pricing of the Entitlement Offer.</p>	Sections 1.4
What are the key risks of further investment in the Company?	<p>Potential investors should be aware that subscribing for New Shares in the Company involves a number of risks. Some of the more significant risks that may affect an investment in the Company are summarised below. Please refer to section 4 for further details of both the risks set out below and a number of other risks that are relevant to a decision to apply for New Shares.</p> <p>Manufacturing risk</p> <p>There are numerous risks associated with manufacturing SomnoMed's products. Technical difficulties could include the inability to produce products that meet approved regulatory specifications, or that production volumes may be insufficient to support revenue as currently forecasted. SomnoMed may from time to time experience delays in finding appropriate manufacturers for specific components, raw materials, machinery or systems. Any unforeseen difficulty relating to manufacturing, including changes in methods of manufacturing, disruption to supply, shortages of input materials, delays in locating appropriate manufacturers or changes to arrangements with, or capacity of, any third-party manufacturers, may negatively impact SomnoMed's ability to support revenue as currently forecasted.</p> <p>As noted in Section 3 of the Prospectus, the Company relies on the sole CPF in the Philippines for the production of all of its products at present and has identified the following issues impacting production at this site which became clear during a recent site visit in March 2024:</p> <ul style="list-style-type: none"> (a) under staffing; (b) equipment shortages; (c) elevated levels of remakes; 	Section 4

Question	Response	Where to find more information
	<p>(d) reliance upon single suppliers for a number of key components;</p> <p>(e) key software within the plant is at end of life; and</p> <p>(f) a need for improvement of the quality management systems in place.</p> <p>The Company also received strong demand for the Company's products in late 2023 and into early 2024, which placed additional strain on the manufacturing facility. The Company has assessed that the capacity of the facility is not capable of manufacturing enough volume to satisfy the increasing demand for the Company's products. In the absence of a short-term solution to this manufacturing capacity constraint, it became apparent that the future revenues of the company would be impacted in the short term and that this would have a consequential impact on the results, profitability and cash flow generation of the Company for Q4 FY24 and the full year FY24. As a result, the Company has downgraded its FY24 revenue and EBITDA guidance (see Section 3 of the Prospectus for further details). The ability of the Company to continue to meet its revised earnings guidance is predicated on the key assumption that a number of these aforementioned issues, such as customer turnaround times and manufacturing capability, do not deteriorate further and remain at consistent levels. If these issues persist, there is a risk that they could have a material impact on the ongoing operations and financial performance of the Company, particularly as a result of:</p> <p>(g) further loss of customers due to longer lead times in the production of the product; and</p> <p>(h) an inability to scale Rest Assure® to meet anticipated customer demand.</p> <p><i>Changes affecting prices charged and cost of supply / distribution</i></p> <p>There can be no guarantee that SomnoMed's products will continue to be successful in the market nor that SomnoMed will continue to receive significant revenues from the sale of its products or services. Unexpected expenses or downward pressure on the prices SomnoMed charges as a result of changes in regulations by national health authorities, emergence of alternative treatments for OSA delivering a higher level of efficacy and patient compliance as well as better health economics, competitive pressures, or levels of reimbursement provided health insurers in the places in which SomnoMed operates, may affect the profitability of</p>	

Question	Response	Where to find more information
	<p>that business.</p> <p><i>Regulatory approvals</i></p> <p>SomnoMed operates within a highly regulated industry, relating to the manufacture, distribution and supply of oral appliance treatment solutions for sleep-related breathing disorders and obstructive sleep apnea (including regular audits at the CPF). There is no guarantee that SomnoMed will obtain or maintain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. Further clinical trials may be delayed and SomnoMed may incur further costs if the FDA and other regulatory agencies observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. Furthermore, SomnoMed is exposed to the risk of changes to existing, or the introduction of new, government policies, regulations and legislation in all jurisdictions in which it operates. A failure to obtain or maintain any required approvals, licenses and registrations or any change in regulation may adversely affect SomnoMed's ability to commercialise and manufacture its treatments. In particular:</p> <ul style="list-style-type: none"> (a) SomnoMed is in the process of seeking FDA approval for Rest Assure® and has made assumptions about when it will be able to generate revenue from that product based on anticipated regulatory approval timeframes; (b) SomnoMed's AVANT product was submitted to PDAC for approval, but reimbursement coding was not granted for Medicare in the United States. Subsequently, SomnoMed resubmitted and appealed the initial decision and is awaiting a response and management is confident that the appeal will ultimately be successful. However, if AVANT is not eligible for reimbursement by Medicare it will adversely impact SomnoMed's ability to scale AVANT within the United States, reducing revenue and profit potential; and (c) a quality system audit is scheduled for August 2024 at the CPF. This audit has been conducted before and the facility has passed the necessary hurdles, however with the introduction of Rest Assure® as an active product, the audit is likely to be more comprehensive and will likely also include supply chain investigation. While the auditor is familiar with our site, having conducted audits there in the past, all audits present the risk of highlighting areas of improvement, given new regulations and the introduction of new products, suppliers, processes 	

Question	Response	Where to find more information
	<p>and systems. A mock audit will be conducted in the next month to ascertain all exposure points so as to present this to an auditor and show that mitigation plans are underway or being developed.</p> <p><i>Financing and liquidity risk and interest rate risk</i></p> <p>Although SomnoMed monitors cashflow management and cashflow forecasts, in the event that SomnoMed does not maintain sufficient cash reserves to meet the requirements of its business, there is a risk that it may exceed its banking facilities, or fail to pay its creditors on time. SomnoMed's ability to operate depends on maintaining a strong reputation for creditworthiness.</p> <p>SomnoMed is also exposed to interest rate risk at variable interest rates. SomnoMed has interest rate exposure for utilised facilities which are used during each financial year. An increase in interest rates may result in a decrease in the Group's profitability.</p> <p>If SomnoMed were to breach any of its obligations under its financing facilities, it could face actions that have an adverse impact on SomnoMed's cashflow and ability to operate. SomnoMed is conducting the Entitlement Offer in part to provide additional working capital for the business. There is no guarantee that the proceeds of the Entitlement Offer will be sufficient for this purpose, as it is not possible to predict with certainty the future performance of the Company. SomnoMed might need to raise further debt or equity capital in the future, and there is a risk that this will not be possible to achieve on acceptable terms or at all. The inability to obtain funding to finance current and future activities may result in reduced financial liquidity, which may adversely impact SomnoMed's ability to fund its operations and new business initiatives.</p> <p>The Company has in place a \$11.5 million Epsilon Facility. A portion of the proceeds from the Entitlement Offer (\$11.5 million) will be applied to paying down the balance of the entire Epsilon Facility. The Company's continued ability to operate and its going concern treatment, will depend on repayment of the Epsilon Facility from the Entitlement Offer. If the Entitlement Offer were not to proceed and because of the downgrade to earnings guidance, the Company is likely be in breach of its financial covenants when next tested and, as a result, the lender could demand immediate repayment of the current facilities. The Epsilon Facility also includes various events of default and review events, the occurrence of which may have materially adverse implications for the</p>	

Question	Response	Where to find more information
	<p>Company.</p> <p><i>Underwriting risk</i></p> <p>The Entitlement Offer is fully underwritten by Wilsons pursuant to the terms of the Underwriting Agreement. TDM and Wilsons have also entered into the TDM Sub-Underwriting Agreement. If certain conditions are not satisfied or certain customary termination events occur (see Section 5.4 of the Prospectus for a summary of those events). Wilsons or TDM may be able to terminate their underwriting or sub-underwriting commitments, which would consequently have an adverse impact on the amount of proceeds raised under the Entitlement Offer or result in the Entitlement Offer not proceeding at all.</p> <p>As SomnoMed is undertaking the capital raising partly to repay the entire Epsilon Facility, there is a risk that if the underwriting arrangements are terminated and because of the downgrade to earnings guidance, the Company is likely to be in breach of its financial covenants when next tested and, as a result, the lender could demand immediate repayment of the current facilities. Additionally, the Company would be unable to fund restructuring initiatives which would reduce its capacity to reduce the cost base of its business and it would also be unable to fund the planned investment in its manufacturing capacity. Collectively, this would have a materially adverse impact on the Company's cash flows, balance sheet sustainability and financial performance.</p> <p><i>Effect of Entitlement Offer on control</i></p> <p>TDM has committed to exercise all of its Entitlements under the Retail Entitlement Offer and to sub-underwrite the Offer. Following the Entitlement Offer, TDM's respective shareholding (and voting power) will increase to the extent that other shareholders do not participate in the Entitlement Offer.</p> <p>As noted in Section 2.10 of the Prospectus, TDM may increase its holding by relying on the exception contained in item 13 of Section 611 of the Corporations Act. The effect of the Entitlement Offer on the control of SomnoMed will depend on a number of factors including:</p> <ul style="list-style-type: none"> • the level of Eligible Shareholder participation; • which Eligible Shareholders participate; and • the level of dispersion via the Oversubscription Facility and the Shortfall Bookbuild (see Section 1.4 for more information). 	

1 Details of the Entitlement Offer

1.1 Entitlement Offer

The Entitlement Offer is a pro-rata accelerated non-renounceable entitlement offer of approximately 107.5 million New Shares at an issue price of \$0.21 per New Share on the basis of 1 New Shares for every 1.01 Share held by Eligible Shareholders at 7.00pm (AEST) on the Record Date for the purpose of raising approximately \$22.6 million before expenses.

The Entitlement Offer has two components, namely:

- (a) the Institutional Entitlement Offer that is expected to raise approximately \$6.6 million, being an offer to Eligible Institutional Shareholders; and
- (b) the Retail Entitlement Offer that is expected to raise approximately \$16 million, being an offer to Eligible Retail Shareholders.

As at the time this Prospectus was lodged with ASIC and ASX, the Company has 108,591,396 Shares on issue. Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable, meaning that Entitlements cannot be traded on ASX, nor can they be sold, transferred or otherwise disposed of.

The Entitlement Offer is fully underwritten by the Lead Manager. Further details regarding the Underwriting Agreement are set out in section 5.4.

All of the New Shares offered under this Prospectus will rank equally with the Shares on issue as at the date of this Prospectus. Please refer to section 5.7 of this Prospectus for further information regarding the rights and liabilities attaching to the Shares.

1.2 Institutional Entitlement Offer

The Company will conduct the Institutional Entitlement Offer during the period set out in the "Important Dates" section above. The Lead Manager will provide Eligible Institutional Shareholders with the details of their Entitlements and how to apply under the Institutional Entitlement Offer at the commencement of the Institutional Entitlement Offer.

The New Shares offered under the Institutional Entitlement Offer, are expected to be issued on Tuesday, 16 April 2024. The Institutional Entitlement Offer is fully underwritten by the Lead Manager.

1.3 Retail Entitlement Offer

Eligible Retail Shareholders are being offered to the opportunity to subscribe for all or part of their Entitlement, being 1 New Share for each existing 1.01 Share held at the Record Date, at the Offer Price per New Share, under the Retail Entitlement Offer. The Retail Entitlement Offer is fully underwritten by the Lead Manager.

1.4 Shortfall dispersion mechanisms

In order to maximise the level of take-up under the Entitlement Offer and also reduce the scope for the Entitlement Offer to impact control, the Entitlement Offer includes the following Shortfall dispersion mechanisms:

- (a) Oversubscription Facility

The Retail Entitlement Offer will also include an Oversubscription Facility, which entitles Eligible Retail Shareholders who have applied for their Entitlement in full to apply for Additional New Shares, subject to the Company's absolute discretion to scale back applications for Additional New Shares.

Additional New Shares under the Oversubscription Facility will be issued to Eligible Retail Shareholders that have applied for Additional New Shares in priority to and before any allocation of the Shortfall is made to the Lead Manager (acting as underwriter) and any sub-underwriters (including TDM).

The Company will not allocate or issue New Shares under the Oversubscription Facility where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant regulation or law. Eligible Retail Shareholders wishing to apply for Additional New Shares under the Oversubscription Facility must consider whether or not the issue of the Additional New Shares applied for would breach the Corporations Act, the Listing Rules or any other relevant regulation or law having regard to their own circumstances and should seek professional advice where necessary.

If you are an Eligible Retail Shareholder that has received this Prospectus, the number of New Shares to which you are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form. If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding.

(b) Shortfall Bookbuild

Following completion of the Institutional Entitlement Offer, the Lead Manager, and the Company will determine the number of any Shortfall Shares after acceptances by Eligible Shareholders. These Shortfall Shares together with Entitlements of any Ineligible Foreign Shareholders will be offered at the Offer Price to new and existing institutional and sophisticated investors (other than TDM) in a bookbuild process (the **Shortfall Bookbuild**) which is intended to be a bookbuild as to volume only. To the extent there is any shortfall following the Shortfall Bookbuild, it will be taken up by the Lead Manager and in turn by TDM as sub-underwriter to the Entitlement Offer (along with, but after allocations to, any sub-underwriters that have been appointed up to their sub-underwriting commitments).

An Independent Board Committee of the Company's directors (**IBC**) that excludes TDM's nominee director was formed for the purpose of considering the terms and pricing of the Entitlement Offer, with support from external advisors. The IBC has reviewed and approved the terms and pricing of the Entitlement Offer.

(c) Shortfall allocation policy

Pursuant to the terms of the Underwriting Agreement, the Shortfall will be allocated by the Lead Manager in consultation with SomnoMed (acting through the IBC) having regard to the guidance relating to dispersion strategies set out in the Takeovers Panel's Guidance Note 17 (**GN 17**) and in accordance with the allocation policy described in this section.

It is the intention that the Shortfall allocation policy will result in any Shortfall being allocated in the following order of priority:

- (i) in the Retail Entitlement Offer, Additional New Shares under the Oversubscription Facility; followed by

- (ii) any sub-underwriters to the Entitlement Offer (which includes TDM) noting that the Lead Manager has been instructed to seek sub-underwriting as widely as possible, in order to minimise the potential control implications of the Entitlement Offer.

1.5 Purpose of the Entitlement Offer and use of funds

The purpose of the Entitlement Offer is to raise approximately \$22.6 million (before expenses). The funds raised from the Entitlement Offer are expected to be used in accordance with the following table.

Use of funds over the next 12 – 18 months	\$m
Clean balance sheet and reduce costs (annual savings >\$6.7m)¹	14.5
<i>Pay out Epsilon Debt Facility</i>	11.5
<i>Fund Cost reduction program</i>	3.0
Investment into manufacturing capacity initiatives and Rest Assure® scalability	7.0
<i>Immediate investment into manufacturing facility and capacity</i>	2.0
<i>Investment in dedicated production line and process for scale-up of Rest Assure®</i>	3.0
<i>Exploration and potential pilot of second manufacturing facility</i>	2.0
Subtotal	21.5
Transaction costs	1.1
TOTAL	22.6

See Section 3.3 and 3.4 of the Prospectus for further commentary for the proposed use of funds and longer-term aspirations of the Company.

The actual use of funds raised under the Entitlement Offer may change depending on the outcome of the activities as they proceed as well as the future circumstances of the Company. The Board reserves the right to alter the way in which funds are applied on this basis.

The Company's current cash resources, cash to be generated through operations and additional capital proposed to be raised by the Entitlement Offer are sufficient to meet the Company's current stated activities.

1.6 Minimum subscription

There is no minimum subscription in respect of the Entitlement Offer.

1.7 No trading of Entitlements

Entitlements to New Shares pursuant to the Entitlement Offer are non-renounceable and accordingly Eligible Shareholders may not dispose of or trade any part of their Entitlement.

¹ Comprise at least ~\$5.0m of operating costs savings and ~\$1.7m of interest cost savings

1.8 Opening and Closing Dates

The Retail Entitlement Offer will open for receipt of acceptances on Tuesday 16 April 2024.

The Retail Entitlement Offer will close at 5.00pm AEST on Wednesday, 1 May 2024, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 3 Business Days prior to the Closing Date. The Company reserves the right to reject any Application that is received after this date. Any Application Monies for New Shares that is received after the Closing Date and that is rejected, will be refunded (without interest) as soon as practicable.

The Directors, In agreement with the Lead Manager, reserve the right, subject to the Corporations Act and the Listing Rules, to vary these dates without prior notice, including to extend a Closing Date, or to accept late Applications, or to delay or withdraw the Entitlement Offer made under this Prospectus. If an Offer made under this Prospectus is withdrawn, all Application Monies for New Shares under that Offer which have not been issued will be refunded (without interest) as soon as practicable.

1.9 Major shareholder participation

The Company and the Lead Manager have obtained an irrevocable commitment from the Company's major shareholder, TDM, to take up its full Entitlements under the Retail Entitlement Offer.

1.10 Underwriting

The Entitlement Offer is fully underwritten by the Lead Manager. The Underwriting Agreement is on terms and conditions that the Company considers to be standard. All valid acceptances for New Shares under the Offer pursuant to this Prospectus received by the Company, from all sources will be deemed to have been accepted in full by the Company and will go in relief of the obligations of the Lead Manager under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, subject to the Lead Managers performing their obligations under the Underwriting Agreement, the Company has agreed to pay the Lead Manager:

- (a) a management fee equal to 1.75% of the funds raised under the Institutional Entitlement Offer;
- (b) an underwriting fee equal to 2.25% of the funds raised under the Institutional Entitlement Offer;
- (c) a management fee equal to 1.75% of the funds raised under the Retail Entitlement Offer; and
- (d) an underwriting fee equal to 2.25% of the funds raised under the Retail Entitlement Offer.

Please refer to section 2.11 of this Prospectus for a description of the potential impact of the Offer on control of the Company and to section 5.4 of this Prospectus for a summary of the material terms and conditions of the Underwriting Agreement.

1.11 Sub-underwriting

The Lead Manager has entered into sub-underwriting arrangements with each of:

- (a) TDM, who has agreed to sub-underwrite the Entitlement Offer (**TDM Sub-underwriting Agreement**);
- (b) Guy Russo (Non-Executive Chairman), who has agreed to partially sub-underwrite the Entitlement Offer up to approximately \$91,000 in excess of Mr Russo's approximately \$109,000 worth of Entitlements (i.e. providing a commitment to subscribe for \$200,000 under the Entitlement Offer);
- (c) Amrita Blickstead (Ce-CEO and Executive Director), who has agreed to partially sub-underwrite the Entitlement Offer up to approximately \$176,000 in excess of Ms Blickstead's approximately \$24,000 worth of Entitlements (i.e. providing a commitment to subscribe for \$200,000 under the Entitlement Offer); and
- (d) Karen Borg (Co-CEO and Executive Director), who has agreed to partially sub-underwrite the Entitlement Offer up to approximately \$100,000.

Mr Russo, Ms Blickstead and Ms Borg will not receive any fees for their sub-underwriting arrangements. TDM will receive 1% (inclusive of GST) of the amount equal to (i) the number of Shortfall Shares allocated to TDM following the Shortfall Bookbuild and (ii) all New Shares offered under the Retail Entitlement Offer (excluding TDM's Entitlements), multiplied by the Offer Price, which is no higher than the fee that any other appointed sub-underwriter will receive for a sub-underwriting commitment under the Entitlement Offer.

There are no significant events that could lead to the TDM Sub-Underwriting Agreement or the sub-underwriting arrangements with Mr Russo, Ms Blickstead or Ms Borg being terminated, other than termination of the Underwriting Agreement between the Company and the Lead Manager (as summarised in section 5.4 of this Prospectus).

As noted in Section 1.4(c) above, the Lead Manager has been instructed to seek sub-underwriting as widely as possible, in order to minimise the potential control implications of the Entitlement Offer.

1.12 Withdrawal of the Offer

SomnoMed reserves the right to withdraw all or part of the Offer and this Prospectus at any time, subject to applicable laws, in which case SomnoMed will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to SomnoMed will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to SomnoMed.

1.13 Foreign jurisdictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority

of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

1.14 Entitlements and acceptance of the Institutional Entitlement Offer

An Eligible Institutional Shareholder under this Prospectus is any Shareholder as at the Record Date who is an Institutional Investor and who the Lead Manager determines may receive an offer on behalf of the Company under the Institutional Entitlement Offer.

If you are an Eligible Institutional Shareholder, you are eligible to participate in the Institutional Entitlement Offer being conducted by the Company. An Institutional Investor on the Record Date who does not satisfy the criteria to be an Eligible Institutional Shareholder set out in this section will not be entitled to participate in the Institutional Entitlement Offer.

1.15 Entitlements and acceptance of the Retail Entitlement Offer

Eligible Retail Shareholders are those persons who:

- (a) are registered as a holder of Shares as at 7.00pm (AEST) on the Record Date;
- (b) have a registered address in Australia or New Zealand or are, in the opinion of the Company, otherwise eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer;
- (c) are not an Eligible Institutional Shareholder; and
- (d) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent that such Eligible Retail Shareholders hold Shares for the account or benefit of such person in the United States).

The number of New Shares to which Eligible Retail Shareholders are entitled is shown in the Entitlement and Acceptance Form. In determining Entitlements, any fractional Entitlement will be rounded up to the nearest whole number. Your acceptance of the Entitlement Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

1.16 Ineligible Foreign Shareholders

The Retail Entitlement Offer is not being extended to anyone who is not an Eligible Retail Shareholder (**Ineligible Foreign Shareholders**). The Company has determined pursuant to Listing Rule 7.7.1 that making the Retail Entitlement Offer to Shareholders with a registered address outside of those jurisdictions is not reasonable in the circumstances, taking into account:

- (a) the number of Shareholders outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Shareholders outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to, and does not, make offers under the Prospectus to Shareholders outside of Australia or New Zealand unless, in the opinion of the Company, that Shareholder would be eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer. The Company may (in its absolute discretion) extend the Retail Entitlement Offer to any Shareholder in other foreign jurisdictions (subject to compliance with applicable laws). The Retail Entitlement Offer is not available to any person in the United States or any person acting for the account or benefit of a person in the United States. The Company will notify all Ineligible Foreign Shareholders of the Entitlement Offer and advise that the Company is not extending the Entitlement Offer to those Shareholders.

1.17 Options available to Eligible Retail Shareholders

If you are an Eligible Retail Shareholder you may do any one of the following:

- (a) **If you wish to accept your Entitlement in full:**
 - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY® in accordance with the instructions on the Entitlement and Acceptance Form so that the funds are received before 5:00pm (AEST) on the Closing Date. Payments must be made by BPAY®. **You do not need to return your form if you have made payment via BPAY®;** or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form.
- (b) **If you wish to accept your Entitlement in full and apply for Additional New Shares under the Oversubscription Facility, please refer to section 1.18.**
- (c) **If you only wish to accept part of your Entitlement:**
 - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® in accordance with the instructions on the Entitlement and Acceptance Form so that the funds are received before 5:00pm (AEST) on the Entitlement Offer Closing Date. **You do not need to return your form if you have made payment via BPAY®;** or
 - (ii) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate Application Monies.

- (d) **If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.**

If you have multiple holdings and choose to pay via BPAY® you will have multiple BPAY® Customer Reference Numbers. To ensure you receive your New Shares in respect of that holding, you must use the specific biller code and the customer reference number shown on each personalised application form when paying for any New Shares that you wish to apply for in respect of that holding.

New Zealand residents only

New Zealand residents may also seek to accept their Entitlements in part or in full and pay via EFT, in accordance with the following process:

- payment for an amount equal to the Offer Price multiplied by the number of New Shares that you are applying for;
- in Australian currency (AUD) paid to the bank account specified on the Entitlement & Acceptance Form. Payment cannot be made in New Zealand dollars; and
- payments may be subject to fees and charges that your bank or any intermediary banks may deduct for performing the funds transfer. Advise your bank to elect remitter to bear all charges so that the correct amount received by us, the beneficiary, is the same as the application amount you wish to apply for and your application monies in Australian dollars (AUD).

PLEASE NOTE THAT IF YOU INADVERTENTLY USE THE SAME CUSTOMER REFERENCE NUMBER OR UNIQUE PAYMENT REFERENCE FOR MORE THAN ONE OF YOUR APPLICATIONS, YOU WILL BE DEEMED TO HAVE APPLIED ONLY FOR THE ENTITLEMENT TO WHICH THAT CUSTOMER REFERENCE NUMBER OR UNIQUE PAYMENT REFERENCE APPLIES.

Applicants under the Offers should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY®. It is your responsibility to check that the amount you wish to pay via BPAY® does not exceed your limit. The Company shall not be responsible for any delay in the receipt of BPAY® payments. The Entitlement Offer to Shareholders is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

1.18 Applying for Additional New Shares under the Oversubscription Facility

Eligible Retail Shareholders who have applied for their full Entitlement may apply for any number of Additional New Shares, subject to scale back.

Applications for Additional New Shares under the Oversubscription Facility may be made by completing the relevant section of their Entitlement and Acceptance Form in accordance with the instructions set out on that form. Payment for any Additional New Shares must be made in the same manner as described in section 1.17 of this Prospectus.

The right to receive Additional New Shares which are in excess of an Eligible Retail Shareholder's Entitlement will be determined by the Company at its sole discretion have regard to the guidance in GN17. Eligible Shareholders who apply for Additional New Shares which are in excess of their Entitlement may not be issued any or all of those excess Additional New Shares applied for.

It is possible that there will be few or no Additional New Shares available for issue, depending on the level of take up of Entitlements by Eligible Retail Shareholders. There is also no guarantee that in the event Additional New Shares are available for issue, they will be allocated to all or any of the Eligible Retail Shareholders who have applied for them.

1.19 Representations by Applicants

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have represented to SomnoMed that you are an Eligible Shareholder and:

- (a) acknowledge that you have read and understand this Prospectus and your personalised Entitlement and Acceptance Form in their entirety;
- (b) agree to be bound by the terms of the Entitlement Offer, the provisions of this Prospectus, and SomnoMed's Constitution;
- (c) authorise SomnoMed to register you as the holder(s) of New Shares allotted to you;
- (d) declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- (e) declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- (f) acknowledge that once SomnoMed receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your Application or funds provided except as allowed by law;
- (g) agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share;
- (h) authorise SomnoMed, the Lead Manager, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Company's Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- (i) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) acknowledge that the information contained in this Prospectus and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- (k) acknowledge that determination of eligibility of Eligible Shareholders for the purposes of Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and acknowledge that each of the Company, the Lead Manager and the Share Registry and their respective officers, employees and agents disclaim any duty or liability

(including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;

- (l) acknowledge the “Key Risks” in section 4 of this Prospectus, and that investments in SomnoMed are subject to risk;
- (m) acknowledge that none of SomnoMed, the Lead Manager, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of SomnoMed, nor do they guarantee the repayment of capital;
- (n) agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (o) authorise SomnoMed to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- (p) represent and warrant (for the benefit of SomnoMed, the Lead Manager and their respective related bodies corporate and affiliates) that you are not an Ineligible Foreign Shareholder and are otherwise eligible to participate in the Entitlement Offer;
- (q) if you are outside Australia and New Zealand, you represent and warrant (for the benefit of SomnoMed, the Lead Managers and their respective related bodies corporate and affiliates) that you are in a Permitted Jurisdiction and are an Institutional Investor as defined in your Permitted Jurisdiction;
- (r) represent and warrant that the law of any place does not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares or being issued New Shares and that you are otherwise eligible to participate in the Entitlement Offer;
- (s) represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- (t) represent and warrant that the Corporations Act and the Listing Rules do not prohibit you from being given this Prospectus and the personalised Entitlement and Acceptance Form, nor do they prohibit you from making an Application for New Shares or being issued New Shares and that no approvals or authorisations are required to permit you to apply for New Shares or be issued New Shares (including any authorisations required by FIRB under the *Foreign Acquisitions and Takeovers Act 1975* (Cth));
- (u) acknowledge that the New Shares have not, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdictions in the United States and accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws;
- (v) you have not and will not send this Prospectus, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand except nominees and custodians may send such materials to Shareholders who are Institutional Investors in Permitted Jurisdictions (excluding the United States); and

- (w) if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions exempt from, or not subject to, the registration requirements of the US Securities Act; notwithstanding the foregoing, you may sell such New Shares in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

1.20 Application Monies

Until issue and allotment of the relevant New Shares under the Entitlement Offer pursuant to this Prospectus, the Application Monies will be held in trust in a separate bank account which will be used for that purpose only. Any interest earned on Application Monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

1.21 ASX quotation

An application for Official Quotation of the New Shares allotted pursuant to this Prospectus has been made to ASX or will be made within seven days following the date of this Prospectus.

If ASX does not grant Official Quotation of the New Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), the Company will not allot any New Shares and will repay all Application Monies for the New Shares within the time period prescribed under the Corporations Act, without interest.

A decision by ASX to grant Official Quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares now offered for subscription.

1.22 Australian Taxation implications

There will be tax implications associated with participating in the Entitlement Offer and receiving New Shares. SomnoMed considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Shares under this Prospectus or the subsequent disposal of any New Shares. SomnoMed recommends that you consult your professional tax adviser in connection with the Entitlement Offer.

(a) General

Set out below is a general summary of the Australian income tax, GST and stamp duty implications of the Entitlement Offer and receiving New Shares for certain Eligible Shareholders.

Neither the Company nor any of its officers or employees, nor its taxation or other advisers, accept any liability or responsibility in respect of any taxation consequences of the Entitlement Offer or any associated statements made within this document.

The comments in this section cover the Australian taxation implications of the Entitlement Offer only if you (referred to in this section as Eligible Shareholder, Shareholder or you):

- are an Eligible Shareholder;
- are an Australian resident for Australian income tax purposes; and
- hold your existing Shares and New Shares on capital account for Australian income tax purposes.

The comments do not apply to you if:

- you are a non-resident for Australian income tax purposes;
- your Shares are subject to the taxation of financial arrangements provisions contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth);
- you hold your existing Shares as revenue assets or trading stock;
- you acquired your existing Shares in respect of which the Entitlements are issued under any employee share scheme;
- your existing Shares are “traditional securities” (as defined in the *Income Tax Assessment Act 1997* (Cth));
- your existing Shares are convertible interests; or
- you are exempt from Australian income tax.

This taxation summary is necessarily general in nature and is not an authoritative or complete statement of all potential tax implications for each Eligible Shareholder.

It is based on the Australian tax legislation and administrative practice in force as at the date of this Prospectus. It does not take into account of, or anticipate changes to, the Australian tax laws or future judicial or administrative interpretations of that law after this time. The comments also do not take into account the tax laws of any country other than Australia. The tax law and Australian tax authorities’ interpretation of it are subject to change, and such changes may be effective retrospectively and may affect the comments below.

The summary does not take into account any financial objectives, tax positions or investment needs of Eligible Shareholders. As the taxation implications of the Entitlement Offer will vary depending upon your particular circumstances, you should seek and rely upon your own professional tax advice before concluding on the particular taxation treatment that will apply to you.

(b) Australian tax considerations for Eligible Shareholders

(i) Issue of Entitlements

The issue of the Entitlements should not, of itself, result in any amount being included in your assessable income.

(ii) Exercise of Entitlements

You should not make a capital gain or loss, or derive assessable income, at the time of exercising your Entitlements under the Entitlement Offer. If you take up all or part of your Entitlements, you will acquire New Shares. Additional New Shares may also be issued under the Oversubscription facility. For Australian capital gains tax (CGT) purposes:

- each New Share acquired upon exercising the Entitlement will comprise a CGT asset, being a share in the Company;
- each New Share should be taken to have been acquired on the date the New Share is issued to you; and
- Each New Share should have a cost base (and reduced cost base) that is equal to the Offer Price payable for the New Share plus certain non-deductible incidental costs incurred in acquiring, holding and disposing of the New Share.

New Shares will be taken to have been acquired on the day you exercise the Entitlement for CGT purposes.

(iii) Lapse of Entitlement

If an Eligible Shareholder does not accept all or part of their Entitlement in accordance with the instructions, that Entitlement will lapse and the Eligible Shareholder will not receive any consideration for their Entitlement that is not taken up. There should be no tax implications for an Eligible Shareholder from the lapse of the Entitlement.

(iv) Distributions on New Shares as a result of Entitlements taken up

Any future distributions made in respect of the New Shares should be subject to the same income taxation treatment as distributions made in respect of existing Shares held in the same circumstances.

Any dividends paid by the Company on a New Share will constitute assessable income of an Eligible Shareholder.

An Eligible Shareholder should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such an Eligible Shareholder should be entitled to a tax offset equal to the franking credits attached to the dividend subject to satisfying the 'holding period' and 'related payment' rules (refer to comments below) and provided the benefit of franking credits is not denied under various franking integrity rules. The tax offset can be applied to reduce the tax payable on the Eligible Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Eligible Shareholder's taxable income and such Eligible Shareholder is:

- an individual or complying superannuation entity – the Eligible Shareholder should be entitled to a refund of the excess franking offsets;
- a company – the excess franking offsets may be carried forward to future income years as tax losses (provided certain loss utilisation tests are satisfied); or
- a trustee (other than a trustee of a complying superannuation entity) – the treatment of the excess franking offsets will depend upon the identity of the person liable to tax on the trust's net income.

Where a dividend paid by the Company is wholly or partly unfranked, the Eligible Shareholder should include the unfranked amount in their assessable income and there will be no tax offset entitlement to that extent.

(v) New Shares held 'at risk'

In order to be eligible for the benefit of franking credits and tax offsets, an Eligible Shareholder must satisfy both the 'holding period' and 'related payment' rules. This broadly requires that an Eligible Shareholder holds the New Shares 'at risk' for at least 45 days continuously (not including the date of acquisition and disposal) during the holding period.

The holding period commences" on the day after the Eligible Shareholder acquires the New Shares and ends on the 45th day after the New Shares become ex-dividend.

Any day on which an Eligible Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the New Shares will not be counted as a day on which the Eligible Shareholder held the shares 'at risk', but such days do not break the continuity of holding. Where the shares are funded by limited recourse loans, or

there are options or other derivatives in respect of the shares, these may adversely affect the ability of a shareholder to satisfy the 'at risk' requirement.

Where these rules are not satisfied, the Eligible Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

The holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000.

The related payment rule applies where the Eligible Shareholder has made, or is under an obligation to make, a related payment (broadly, a payment whereby the benefit of the dividend is passed to another person) in relation to a dividend paid by the Company. The related payment rule requires the Eligible Shareholder to have held the New Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the New Shares become ex-dividend.

(vi) Disposal of New Shares

The disposal of New Shares will constitute a disposal for CGT purposes.

On a disposal of New Shares, Eligible Shareholders should make a capital gain if the capital proceeds on disposal exceed the total cost base of the New Shares, or a capital loss if the capital proceeds are less than the total reduced cost base of the New Shares.

In general, the capital proceeds will be the consideration received for the disposal, and the cost base (or reduced cost base) of each constituent Share will be broadly equal to the Offer Price payable (plus any non-deductible incidental costs the Eligible Shareholder incurs in acquiring, holding and selling the New Shares).

Individuals, trustees or complying superannuation entities that have held New Shares for 12 months or more (excluding the date of acquisition and the date of disposal) at the time of disposal may be entitled to apply the applicable CGT discount to reduce the capital gain (after offsetting current year or carried forward capital losses). The CGT discount is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

The CGT discount is not available to companies, unless the Shares are held by the company in the capacity as a trustee.

New Shares should be treated for the purposes of the CGT discount as having been acquired when the Eligible Shareholder exercised the Entitlement. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those New Shares, they must have been held for at least 12 months after the date of exercise before the disposal occurs.

If you make a capital loss, you can only use that loss to offset other capital gains (i.e. the capital loss cannot be offset against assessable income). However, if the capital loss cannot be used in a particular income year, it can be carried forward for use in future income years, provided certain loss utilisation tests are satisfied.

(vii) Other Australian taxes

No GST should be payable by you in respect of the issue or exercise of Entitlements or the acquisition of New Shares.

To the extent you incur GST on costs that relate to the issue or exercise of Entitlements or the acquisition of New Shares, you may not be entitled to recover such GST as an input tax credit. In this regard, we recommend that you seek independent taxation advice in respect of your individual taxation affairs.

Stamp duty will not be payable in respect of the acquisition of the New Shares on the assumption that each Eligible Shareholder will act independently of each other such shareholder in respect of its holding of such shares, and no Eligible Shareholder and its "associates" will hold 90% or more of the total issued shares in the Company.

1.23 Further queries

For further information regarding this Entitlement and Acceptance Form or the Retail Entitlement Offer please contact the SomnoMed Offer Information Line on 1300 737 760 within Australia, or +61 2 9290 9600 outside Australia from 8.30am to 5.00pm (AEST) Monday to Friday. For other questions you should contact your stockbroker, solicitor, accountant or other professional adviser.

2 Effect of the Entitlement Offer on the Company

2.1 Introduction

The financial information for the Group contained in this section 2 comprises:

- the historical statement of financial position as at 31 December 2023 (hereafter the **Historical Financial Information**); and
- the pro forma historical statement of financial position as at 31 December 2023 (hereafter the **Pro Forma Historical Financial Information**),

(Collectively, the **Financial Information**)

Section 2.2 also summarises the basis of preparation and presentation of the Financial Information.

The Financial Information presented in this section 2 should be read in conjunction with the risk factors set out in section 4 and other information contained in this Prospectus.

Amounts in this section have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

2.2 Basis of preparation and presentation of the Financial Information

The Directors of the Company are responsible for the preparation and presentation of the Financial Information. The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the financial position of the Group.

The Financial Information is presented in an abbreviated form and does not include all of the presentation, disclosures, statements and comparative information as required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

2.3 Preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Account Standards issued by the Australian Accounting Standards Board (**AASB**) which includes AASB 134: *Interim Financial Reporting* ("AASB 134"). AASB is consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Historical Financial Information of the Group as at 31 December 2023 has been derived from its financial statements as at and for the half-year ended 31 December 2023 prepared in accordance with AASB 134.

The Historical Financial Information should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2023 and the interim financial statements for the Group for the half-year ended 31 December 2023, including a description of the accounting policies contained in the financial statements and notes to those financial statements.

The annual financial report of the Group for the year ended 30 June 2023 and the interim consolidated financial statements for the Group for the half-year ended 31 December 2023 were lodged with ASX and are available free of charge at <http://www.asx.com.au/>.

2.4 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information of the Group has been prepared solely for inclusion in this Prospectus.

The Pro Forma Historical Statement of Financial Position for the Group has been prepared in accordance with the recognition and measurement requirements of AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they occurred as at 31 December 2023. Due to its nature, the Pro Forma Historical Financial Information does not represent the Group's actual or prospective financial position.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for pro forma transactions to reflect:

- (a) the issue of 107,516,234 New Shares in the Company in accordance with the Offer to raise gross proceeds of approximately \$22.6 million; and
- (b) the costs (after tax) associated with the Entitlement Offer estimated to be approximately \$1.1 million.

2.5 Historical and Pro Forma Historical Financial Information

The table below sets out the Historical Financial Information and Pro Forma Historical Financial Information of the Group as at 31 December 2023.

		Historical Statement of Financial Position as at 31 December 2023	Pro Forma Adjustments	Pro Forma Historical Statement of Financial Position as at 31 December 2023
	Notes	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	2.6(a)	12,837,537	21,500,000	34,337,537
Trade and other receivables		12,242,673		12,242,673
Inventories		4,827,067		4,827,067
Lease receivables		315,379		315,379
Total current assets		30,222,656	21,500,000	51,722,656
Non-current assets				
Trade and other receivables		37,183		37,183
Property, plant and equipment		5,811,369		5,811,369
Intangible assets		18,752,249		18,752,249
Deferred tax assets		2,865,116		2,865,116
Right-of-use assets		6,228,697		6,228,697
Total non-current assets		33,694,614	-	33,694,614

	Historical Statement of Financial Position as at 31 December 2023	Pro Forma Adjustments	Pro Forma Historical Statement of Financial Position as at 31 December 2023
Total assets	63,917,270	-	85,417,270
Liabilities			
Current liabilities			
Trade and other payables	11,312,917		11,312,917
Borrowings	309,270		309,270
Lease liabilities	2,541,571		2,541,571
Provisions	2,979,019		2,979,019
Current tax liabilities	316,386		316,386
Total non-current liabilities	17,459,163	-	17,459,163
Non-current liabilities			
Borrowings	11,645,805		11,645,805
Lease liabilities	4,040,981		4,040,981
Provisions	870,203		870,203
Total non-current liabilities	16,556,989	-	16,556,989
Total liabilities	34,016,152	-	34,016,152
Net assets	29,901,118	21,500,000	51,401,118
EQUITY			
Issued capital	88,844,837	21,500,000	110,344,837
Reserves	9,698,330		9,698,330
Accumulated losses	(68,642,049)		(68,642,049)
Total equity	29,901,118	21,500,000	51,401,118

2.6 Notes to the Historical Financial Information and Pro Forma Financial Information

- (a) Cash and cash equivalents – at the close of the Entitlement Offer, upon receipt of \$21.5 million Entitlement Offer proceeds, net of transaction costs, the Company's cash balance is approximately \$34.3 million (before any debt paydown).

As at 31 March 2024 the Company's cash balance was approximately \$9.0 million. The pro forma cash balance at the close of the Entitlement Offer (on the same basis as that set out above for the 31 December 2023 financial position, that is before debt paydown) is approximately \$30.5 million.

2.7 Effect of the Offer

The principal effects of the Entitlement Offer on the Company are as follows:

- (a) the Company will issue approximately 107,516,234 New Shares and the total number of Shares on issue will increase to approximately 216,107,630 Shares;

- (b) the cash reserves of the Company will increase by approximately \$21.5 million (net of expenses of the Entitlement Offer) immediately after completion of the Entitlement Offer (and before application of those proceeds to their intended use); and
- (c) the equity of Eligible Shareholders who do not participate in the Entitlement Offer will be diluted as is evidenced from the figures set out in Section 2.11 below.

2.8 Effect on capital structure

The anticipated effect of the Entitlement Offer on the capital structure of the Company is set out below.

	Effect of the Entitlement Offer
Shares currently on issue	108,591,396
Options currently on issue	2,907,000
New Shares to be issued under the Entitlement Offer	107,516,234
Shares on issue after completion of the Entitlement Offer	216,107,630
Fully diluted capital of the Company after completion of the Entitlement Offer	219,014,630

2.9 Market prices of Shares on ASX

The highest and lowest closing market sale price of Shares on ASX during the three (3) months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.520 on 2 February 2024 and \$0.350 on 27 February 2024 and 22 March 2024.

The Company's Shares went into trading halt on 27 March 2024 and were then subsequently voluntarily suspended from 2 April 2024. The latest available market sale price of Shares on ASX before the Company's Shares were halted and then voluntarily suspended was \$0.385 on 26 March 2024.

2.10 Takeover prohibition

Subject to certain exceptions set out in section 611 of the Corporations Act, section 606 of the Corporations Act prohibits a person acquiring a Relevant Interest in voting shares or interests through a transaction in relation to securities that increases that person's, or someone else's, voting power in a regulated entity from 20% or below to more than 20% or from a starting point that is above 20% to a level that is below 90%.

Item 13 of section 611 of the Corporations Act provides an exception to the takeover restrictions where a person underwrites or sub-underwrites an issue of securities under a prospectus or other disclosure document, and where the prospectus discloses the effect that this would have on the person's voting power in the company.

As at the date of its last substantial shareholder filing, TDM holds 30.00% voting power in the Company and TDM has agreed to sub-underwrite the Entitlement Offer (see section

1.11 for further details). Through its participation in the Retail Entitlement Offer, and any subscription of New Shares as a sub-underwriter of the Entitlement Offer, it is likely that the percentage shareholding of TDM will increase.

It is not possible to determine at this stage the extent of that increase and TDM will need to comply with the provisions of Chapter 6 of the Corporations Act. See section 2.11 below for further details of the potential impact the Entitlement Offer may have on control of the Company including what the Lead Manager may hold on completion of the Entitlement Offer in various scenarios, assuming they are required to subscribe for all of the Shortfall and cannot place any of that Shortfall to a sub-underwriter (including TDM).

In addition, see section 1.4 for a summary of the Shortfall dispersion methods the Company will be utilising to reduce the scope for the Entitlement Offer to impact control.

2.11 Potential impact of the Entitlement Offer on control of the Company

The number of New Shares which that be issued pursuant to the Offer is 107,516,234. This equates to approximately 49.8% of all the issued Shares in the Company immediately following completion of the Offer.

As the Offer is fully underwritten, Shareholders should note that if they do not participate in the Offer, their holdings will be diluted by approximately 49.8% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

Shareholder	Shareholding as at Prospectus date	% shareholding as at Prospectus date	% shareholding post Entitlement Offer ¹
1	5,429,570	5.00%	2.51%
2	2,171,828	2.00%	1.00%
3	1,085,914	1.00%	0.50%
4	542,957	0.50%	0.25%

Notes:

1. The table shows the maximum dilutionary effect on the assumption that the Entitlement Offer completes and the relevant Shareholder does not accept any of their Entitlements and all unaccepted Entitlements are placed through the Shortfall Bookbuild.

Based on publicly available information as at the date of this Prospectus, those persons (which together with their Associates) have a Relevant Interest in 5% or more of the Shares on issue are set out below:

Substantial shareholders	Shares	%
TDM	32,572,382	30.00%
National Nominees Ltd ACF Australian Ethical Investment Limited	13,835,756	12.74%

Substantial shareholders	Shares	%
FIL Limited and associated entities	8,349,794	7.69%
Dottie Investments Pty Ltd and associated entities	6,608,569	6.09%

TDM's intentions

The Company and the Lead Manager have received irrevocable commitments from TDM that it intends to take up its full Entitlements under the Retail Entitlement Offer (for approximately \$6.78 million), as detailed in section 1.9

TDM has agreed to sub-underwrite the Entitlement Offer (see section 1.11) and has confirmed to the Company that should its shareholding interest in the Company increase as a result of the Entitlement Offer, it has no current intention to make any changes to the Company's business, the deployment of its fixed assets or the future employment of its employees other than has previously been disclosed by the Company.

Based on the information known as at the date of this Prospectus, on the assumption that all Eligible Shareholders take up their full Entitlements under the Entitlement Offer, as at the Closing Date the following persons (together with their associates) will have an interest in 5% or more of the Shares on issue:

Substantial shareholders	Shares	%
TDM	64,822,266	30.00%
National Nominees Ltd ACF Australian Ethical Investment Limited	27,534,525	12.74%
FIL Limited and associated entities	16,616,917	7.69%
Dottie Investments Pty Ltd and associated entities	13,151,707	6.09%

The potential effect that the issue of the New Shares will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including:

- the extent to which Eligible Shareholders other than TDM take up their Entitlements;
- the extent to which Eligible Retail Shareholders participate in the Oversubscription Facility;
- the number of New Shares placed to institutional and/or sophisticated investors under the Shortfall Bookbuild; and
- the extent to which any other investors or existing Eligible Shareholders agree to sub-underwrite the Entitlement Offer.

Depending on whether other Eligible Shareholders elect to take up their full Entitlement and the other factors outlined above, there are a range of potential ownership outcomes which may eventuate as a result of the Entitlement Offer, a number of which are shown below:

- If all Eligible Shareholders take up their full Entitlement, then there will be no material effect on the control of the Company;
- If some Eligible Shareholders do not take up their full Entitlement, such Shareholders' interest will be diluted relative to those who did take up their full Entitlement (and potentially also applied for Additional New Shares through participation in the Oversubscription Facility), and TDM's interest will increase as a result of its sub-underwriting commitment; and
- If no other Eligible Shareholders other than TDM participate in the Entitlement Offer, and assuming there are no investors under the Shortfall Bookbuild, TDM's ownership interest (and voting power) will increase from 30.00% to 64.82%.

The table below illustrates the effect of the Entitlement Offer on the control of the Company where all Eligible Shareholders take up 0%, 25%, 50%, 75% and 100% of their Entitlement and no Shortfall is allocated to any person other than TDM (where applicable).

Post-Entitlement Offer shareholding based on take-up from Eligible Shareholders (other than TDM)						
	Current	0% take-up ¹	25% take-up	50% take-up	75% take-up	100% take-up
TDM	30.00%	64.82%	56.12%	47.41%	38.70%	30.00%
Other Eligible Shareholders	70.00%	35.18%	43.88%	52.59%	61.30%	70.00%

Notes:

1. Assumes there are no investors under the Shortfall Bookbuild and no other sub-underwriting commitments have been obtained.

Pursuant to the Underwriting Agreement, the Lead Manager agree to subscribe for all of the New Shares proposed to be issued under the Entitlement Offer, to the extent those New Shares aren't taken up by Eligible Shareholders. The table below sets out the potential voting power the Lead Manager may hold on completion of the Entitlement Offer in various scenarios, assuming they are required to subscribe for all of the Shortfall and cannot place any of that Shortfall to a sub-underwriter (including TDM).

	Wilson's % shareholding following completion of the Entitlement Offer
Shortfall comprises 100% of the Entitlement Offer	49.75%
Shortfall comprises 75% of the Entitlement Offer	37.31%

	Wilson's % shareholding following completion of the Entitlement Offer
Shortfall comprises 50% of the Entitlement Offer	24.88%
Shortfall comprises 25% of the Entitlement Offer	12.44%
No Entitlement Shortfall	0.00%

3 Company Update

3.1 Operational challenges have emerged that are impacting financial performance

Following a comprehensive overview of the operational challenges that are impacting current performance and leading to revised earnings guidance for FY24, the Company has made the decision to conduct the Entitlement Offer now in order to:

- fund a more aggressive restructuring plan that will materially reduce costs with effect from FY25;
- seek additional funding through equity, rather than debt, as this is a preferred capital structure given the current stage of the business and to set the Company for future growth;
- pay down the Epsilon Facility now rather than wait until FY25 when the debt becomes current and payable, particularly given the Company is likely to be in breach of its financial covenants under this facility when next tested at the end of FY24 in the absence of conducting the Entitlement Offer and repaying the debt (or renegotiating its covenants for a second time); and
- provide urgent additional investment to improve the Company's current manufacturing capacity to satisfy the increasing demand for the Company's products and mitigate the risk of a single operations site.

The decision to undertake an equity capital raising was made by the Board on the recommendation of the IBC which is a sub-group of the Company's directors that excludes TDM's nominee director which was formed for the purpose of considering the terms and pricing of the Entitlement Offer.

(a) Manufacturing capacity issues and constraints

In the Quarterly Update for Q2 FY24 released in January 2024 the Company advised of manufacturing capacity issues and hence the supply of finished product during Q2 was interrupted during November 2023 by milling machine downtime. It was advised that a total of 8 out of 23 milling machines were out of commission for various mechanical reasons for a period of 2 weeks. It was noted that an aggressive catch-up plan had been implemented during December 2023 to ensure that all orders received up to early December were completed prior to the end of the quarter.

Following a visit to the manufacturing facility in Manila in January 2024, management confirmed that all milling machine issues had been resolved and capacity had returned to 100%. To mitigate any potential risk, management developed and enacted contingency plans to ensure that such milling machine breakdowns did not re-occur again. Orders received by the Company across all regions in late 2023 and into early 2024 continued to be very strong.

The two newly appointed Co-CEO's visited the manufacturing facility in Manila in March 2024, as part of their initial discovery phase, to better understand the past production issues encountered in 2023. It became apparent on this visit that given the continued strong demand for the Company's products, the facility was not able to reduce the backlog of orders, which had built up in late 2023.

It was assessed that the capacity of the facility was not capable of manufacturing enough volume to satisfy the increasing demand for the Company's products. If a

short-term solution to this manufacturing capacity constraint cannot be found, it is highly likely that the future revenues of the Company would be impacted in the short term and that this would have a consequential impact on the results, profitability and cash flow generation of the Company for Q4 FY24 and the full year FY24.

Further assessment and discussions with the Company's manufacturing leadership in late March 2024 determined that the capacity constraint cannot be resolved prior to the end of FY24 and further actions are required to increase the capacity of the facility.

(b) Cost efficiency delays

Planned cost initiatives that were included in prior EBITDA guidance have not been executed according to the original timetable.

Planned cost initiatives were not fully implemented as February 2024 guidance supported achievement of revenues and a portion of cost initiatives were delayed.

Originally planned cost reductions as well as additional cost reductions are now in progress and will be completed by 30 June 2024

(c) Financial impacts

The financial impacts of the challenges and delays identified in Sections 3.1(a) 0 and 3.1(b) include:

- lower revenue due to manufacturing capacity constraints;
- higher costs due to incomplete cost reduction initiative execution; and
- compounding impact of lower revenue and higher costs has resulted in driving down forecast EBITDA.

3.2 FY24 revised guidance

(a) Revenue growth guidance now 6% – 9% vs previous guidance of 12%+

For the 9 months to 31 March 2024, SomnoMed generated sales of \$67.6 million, up 12% YoY or 6.5% on a constant currency basis.

The majority of the decline in revenue guidance is related to the inability to meet customer demand due to manufacturing capacity constraints (see Section 4.2(a) for further detail regarding these capacity constraints and the potential risks facing the Company).

(b) EBITDA \$(1) - \$0 million vs previous guidance of \$3+million

Estimated \$(3) million impact at the EBITDA level from lost revenue due to manufacturing constraints.

\$(0.5) million impact at the EBITDA level due to delayed implementation of cost initiatives announced in January 2024.

The revised EBITDA range excludes an estimated \$3 million of restructuring costs associated with the execution of cost out initiatives.

(c) Capex \$5 million unchanged vs previous guidance

Includes approximately \$3 million of technology innovation spend.

3.3 SomnoMed's market opportunity and long-term strategy remain unchanged

- (a) The are four main levers to build on SomnoMed's leadership position in the large obstructive sleep apnea (**OSA**) market:
- (i) Achieve financial flexibility and use this as a competitive advantage:
- repayment of the entire Epsilon Facility (currently \$11.5 million) will lead to a saving of \$1.7 million in annual interest costs and accelerate achievement of cash flow breakeven;
 - removal of constraints from covenants provides capital flexibility and positions the business to take advantage of strategic opportunities in the future; and
 - removal of limitations on financial flexibility imposed by the July 2025 expiry date of the Epsilon Facility.
- (ii) Drive cost efficiency:
- immediate need to raise capital to implement more aggressive restructuring plan;
 - significantly accelerates the Company's progress towards achieving EBITDA and cash flow breakeven;
 - careful consideration and a regional strategic approach was undertaken to determine the restructuring plan, which retains key manufacturing resources to deliver growth objectives;
 - cost reduction program that will deliver cost savings of at least \$5 million p.a.;
 - savings will be actioned immediately with available Offer proceeds and be in full effect by 30 June 2024; and
 - associated one-off restructuring costs of ~\$3 million to be incurred in FY24.
- (iii) Invest in manufacturing capacity and Rest Assure® scalability:
- The Company will invest \$7 million in this project over the next 12-18 months, including;
- \$2 million immediate investment into people and equipment, process improvement and systems at the existing manufacturing facility;
 - \$3 million investment in production lines, people and processes to support a global launch of Rest Assure® at scale to meet expected strong customer demand; and
 - \$2 million investment for exploration and potential pilot of a second manufacturing facility which de-risks having a single site, adds to

capacity output and can to improve both margins and turnaround times to customers with near soring.

(iv) Continue leadership device innovation:

- SomnoMed's unique and world leading connected oral device, Rest Assure®, is currently going through the FDA approval process;
- the FDA has responded to SomnoMed's 510(k) application, requesting additional clarification and test data. SomnoMed is preparing this information to send back to them before the September 2024 deadline; and
- customer feedback has confirmed that Rest Assure® is a significant advancement in the OSA treatment market and a global launch remains a key strategic priority

3.4 Use of funds and long-term aspirations

The funds raised from the Entitlement Offer are expected to be used in accordance with the table in Section 1.5 of the Prospectus. The Company is investing to set the business up to deliver on the following key aspirations by 30 June 2027:

- (a) greater than 1.5 million patients treated;
- (b) profitable revenue growth;
- (c) stable product gross margin;
- (d) approximately 10% target EBITDA margin; and
- (e) positive sustainable cash flow.

4 Risk Factors

4.1 Introduction

This Section 4 describes some of the potential risks associated with an investment in SomnoMed.

An investment in SomnoMed is subject to a number of risk factors. Some of these risk factors are specific to an investment in SomnoMed, and some are of a general nature including general risks associated with investing. These risk factors may, alone or in combination, adversely impact SomnoMed, its financial and operating performance, its growth or the value of its Shares. The occurrence or consequences of some of these risk factors are partially or completely outside of SomnoMed's control.

This Section 4 sets out the matters SomnoMed reasonably believes, as at the date of this Prospectus, to be the significant risk factors specific to SomnoMed and certain general risk factors associated with investing of which potential and Eligible Shareholders should be aware when considering whether to invest in New Shares. This Section 4 should be read in conjunction with all other information disclosed in this Prospectus.

SomnoMed does not purport to list every risk that may be associated with SomnoMed or the industry in which it operates, or an investment in New Shares, now or in the future. The selection of risk factors set out in this Section 4 is based on SomnoMed's assessment of the probability of the risk occurring, the ability to mitigate the risk, and the impact of the risk if it did occur. This assessment is based on SomnoMed's knowledge as at the date of this Prospectus. There is no guarantee or assurance that the risk factors will not change or that other risks will not emerge.

4.2 Risks specific to the Company and an investment in New Shares

(a) Manufacturing

There are numerous risks associated with manufacturing SomnoMed's products. Technical difficulties could include the inability to produce products that meet approved regulatory specifications, or that production volumes may be insufficient to support revenue as currently forecasted. SomnoMed may from time to time experience delays in finding appropriate manufacturers for specific components, raw materials, machinery or systems. Any unforeseen difficulty relating to manufacturing, including changes in methods of manufacturing, disruption to supply, shortages of input materials, delays in locating appropriate manufacturers or changes to arrangements with, or capacity of, any third-party manufacturers, may negatively impact SomnoMed's ability to support revenue as currently forecasted.

As noted in Section 3 of the Prospectus, the Company relies on the sole SomnoMed Central Manufacturing Facility (**CPF**) in the Philippines for the production of all of its products at present and SomnoMed has identified the following issues impacting production at this site which became clear during a recent site visit in March 2024:

- (i) under staffing;
- (ii) equipment shortages;
- (iii) elevated levels of remakes;

- (iv) reliance upon single suppliers for a number of key components;
- (v) key software within the plant is at end of life; and
- (vi) a need for improvement of the quality management systems in place.

The Company also received strong demand for the Company's products in late 2023 and into early 2024, which placed additional strain on the manufacturing facility. The Company has assessed that the capacity of the facility is not capable of manufacturing enough volume to satisfy the increasing demand for the Company's products. In the absence of a short-term solution to this manufacturing capacity constraint, it became apparent that the future revenues of the company would be impacted in the short term and that this would have a consequential impact on the results, profitability and cash flow generation of the Company for Q4 FY24 and the full year FY24. As a result, the Company has downgraded its FY24 revenue and EBITDA guidance (see Section 3 of the Prospectus for further details). The ability of the Company to continue to meet its revised earnings guidance is predicated on the key assumption that a number of these aforementioned issues, such as customer turnaround times and manufacturing capability, do not deteriorate further and remain at consistent levels.

If these issues persist, there is a risk that they could have a material impact on the ongoing operations and financial performance of the Company, particularly as a result of:

- (vii) further loss of customers due to longer lead times in the production of the product; and
- (viii) an inability to scale Rest Assure® to meet anticipated customer demand.

(b) Changes affecting prices charged and cost of supply / distribution

There can be no guarantee that SomnoMed's products will continue to be successful in the market nor that SomnoMed will continue to receive significant revenues from the sale of its products or services. Unexpected expenses or downward pressure on the prices SomnoMed charges as a result of changes in regulations by national health authorities, emergence of alternative treatments for OSA delivering a higher level of efficacy and patient compliance as well as better health economics, competitive pressures, or levels of reimbursement provided health insurers in the places in which SomnoMed operates, may affect the profitability of that business.

(c) Regulatory approvals

SomnoMed operates within a highly regulated industry, relating to the manufacture, distribution and supply of oral appliance treatment solutions for sleep-related breathing disorders and obstructive sleep apnea (including regular audits at the CPF). There is no guarantee that SomnoMed will obtain or maintain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. Further clinical trials may be delayed and SomnoMed may incur further costs if the Food and Drug Administration (**FDA**) and other regulatory agencies observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. Furthermore, SomnoMed is exposed to the risk of changes to existing, or the introduction of new, government policies, regulations and legislation in all jurisdictions in which it operates. A failure to obtain or maintain any required approvals, licenses and registrations or any change in regulation may adversely

affect SomnoMed's ability to commercialise and manufacture its treatments. In particular:

- (i) SomnoMed is in the process of seeking FDA approval for Rest Assure® and has made assumptions about when it will be able to generate revenue from that product based on anticipated regulatory approval timeframes;
- (ii) SomnoMed's AVANT product was submitted to Pricing, Data Analysis and Coding (**PDAC**) for approval, but reimbursement coding was not granted for Medicare in the United States. Subsequently, SomnoMed resubmitted and appealed the initial decision and is awaiting a response and management is confident that the appeal will ultimately be successful. However, if AVANT is not eligible for reimbursement by Medicare it will adversely impact SomnoMed's ability to scale AVANT within the United States, reducing revenue and profit potential; and
- (iii) a quality system audit is scheduled for August 2024 at the CPF. This audit has been conducted before and the facility has passed the necessary hurdles, however with the introduction of Rest Assure® as an active product, the audit is likely to be more comprehensive and will likely also include supply chain investigation. While the auditor is familiar with our site, having conducted audits there in the past, all audits present the risk of highlighting areas of improvement, given new regulations and the introduction of new products, suppliers, processes and systems. A mock audit will be conducted in the next month to ascertain all exposure points so as to present this to an auditor and show that mitigation plans are underway or being developed.

(d) Financing and liquidity risk and interest rate risk

Although SomnoMed monitors cashflow management and cashflow forecasts, in the event that SomnoMed does not maintain sufficient cash reserves to meet the requirements of its business, there is a risk that it may exceed its banking facilities, or fail to pay its creditors on time. SomnoMed's ability to operate depends on maintaining a strong reputation for creditworthiness.

SomnoMed is also exposed to interest rate risk at variable interest rates. SomnoMed has interest rate exposure for utilised facilities which are used during each financial year. An increase in interest rates may result in a decrease in the Group's profitability.

If SomnoMed were to breach any of its obligations under its financing facilities, it could face actions that have an adverse impact on SomnoMed's cashflow and ability to operate. SomnoMed is conducting the Entitlement Offer in part to provide additional working capital for the business. There is no guarantee that the proceeds of the Entitlement Offer will be sufficient for this purpose, as it is not possible to predict with certainty the future performance of the Company. SomnoMed might need to raise further debt or equity capital in the future, and there is a risk that this will not be possible to achieve on acceptable terms or at all. The inability to obtain funding to finance current and future activities may result in reduced financial liquidity, which may adversely impact SomnoMed's ability to fund its operations and new business initiatives.

The Company has in place a \$11.5 million debt facility with Epsilon Direct Lending to fund its working capital needs (**Epsilon Facility**). A portion of the proceeds from the Entitlement Offer (\$11.5 million) will be applied to paying down the balance of the entire Epsilon Facility. The Company's continued ability to operate and its going concern treatment, will depend on repayment of the Epsilon Facility from the

Entitlement Offer. If the Entitlement Offer were not to proceed and because of the downgrade to earnings guidance, the Company is likely to be in breach of its financial covenants when next tested and, as a result, the lender could demand immediate repayment of the current facilities. The Epsilon Facility also includes various events of default and review events, the occurrence of which may have materially adverse implications for the Company.

(e) Underwriting risk

The Entitlement Offer is fully underwritten by Wilsons pursuant to the terms of the Underwriting Agreement. TDM and Wilsons have also entered into the TDM Sub-Underwriting Agreement. If certain conditions are not satisfied or certain customary termination events occur (see Section 5.4 of the Prospectus for a summary of those events), Wilsons or TDM may be able to terminate their underwriting or sub-underwriting commitments, which would consequently have an adverse impact on the amount of proceeds raised under the Entitlement Offer or result in the Entitlement Offer not proceeding at all.

As SomnoMed is undertaking the capital raising partly to repay the entire Epsilon Facility, there is a risk that if the underwriting arrangements are terminated and because of the downgrade to earnings guidance, the Company is likely to be in breach of its financial covenants when next tested and, as a result, the lender could demand immediate repayment of the current facilities. Additionally, the Company would be unable to fund restructuring initiatives which would reduce its capacity to reduce the cost base of its business and it would also be unable to fund the planned investment in its manufacturing capacity. Collectively, this would have a materially adverse impact on the Company's cash flows, balance sheet sustainability and financial performance.

(f) Cyber security

There is a risk of security breaches of data (whether that of SomnoMed's or that of its clients) by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. Any data security breaches or SomnoMed's failure to protect confidential information could cause significant disruption to its business and trigger mandatory data breach notification obligations. Such an event may adversely impact SomnoMed's operations and financial performance, exposing SomnoMed to reputational damage and regulatory scrutiny and fines as well as potentially material costs associated with remediation and other costs and payments relating to such a breach.

(g) Disruption to technology systems

SomnoMed's technology systems may be inadequate or fail to perform as expected or be adversely impacted by factors outside its control, including disruption, failure, service outages or data corruption that could occur as a result of computer viruses, malware, cyber-attacks, including external malicious interventions such as hacking or denial of service attacks, or other disruptions including natural disasters, power outages or other similar events. Any such disruption could have a material adverse impact on SomnoMed's operations.

(h) Competition

There is a risk that the competitive landscape might change and new competitors might emerge or existing competitors might be taken over by larger and better resourced companies which may offer services that compete with the products and services provided by SomnoMed. There can be no assurance that a competitor of

SomnoMed will not develop or achieve commercialisation of services that compete with, or supersede, SomnoMed services or products. The Directors believe that the potential market size for the services and products to be provided by SomnoMed is large enough to absorb a number of competitors.

(i) Intellectual Property

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of medical device research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes. SomnoMed's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of medical device companies can be highly uncertain and frequently involves complex legal and factual questions, neither the breadth of claims allowed in medical device patents nor their enforceability can be predicted. There can be no assurance that any patents which SomnoMed may own, access or control will afford SomnoMed commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that SomnoMed will be free to commercialise its products.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid SomnoMed's patented technology. Patenting strategies do not cover all countries which may lead to generic competition arising in those markets.

(j) Product and safety efficacy

Serious or unexpected health, safety or efficacy concerns with products may expose SomnoMed to reputational harm or reduced market acceptance of its products, and may lead to product recalls and/or product liability claims and resulting liability, and increased regulatory reporting. There can be no guarantee that unforeseen adverse events or manufacturing defects will not occur. SomnoMed has product liability insurance to seek to minimise its liability to such claims, however there can be no assurance that adequate insurance coverage will always be available at an acceptable cost or that it will respond. Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on the potential future profitability of SomnoMed.

4.3 General Risks

(a) Effect of Entitlement Offer on control

TDM has committed to exercise all of its Entitlements under the Retail Entitlement Offer and to sub-underwrite the Offer. Following the Entitlement Offer, TDM's respective shareholding (and voting power) will increase to the extent that other shareholders do not participate in the Entitlement Offer.

As noted in Section 2.10 of the Prospectus, TDM may increase its holding by relying on the exception contained in item 13 of Section 611 of the Corporations Act. The effect of the Entitlement Offer on the control of SomnoMed will depend on a number of factors including:

- the level of Eligible Shareholder participation;
- which Eligible Shareholders participate; and

- the level of dispersion via the Oversubscription Facility and the Shortfall Bookbuild (see Section 1.4 for more information).

(b) Non-renounceable Entitlement Offer and dilution risk

The Entitlement Offer is non-renounceable, and shareholders will not be able to transfer or trade Entitlements on ASX or in private sales. Investors who do not participate in the Entitlement Offer, or do not take up all of their entitlement under the Entitlement Offer, will have their percentage security holding in SomnoMed diluted. Future equity raisings or equity funded acquisitions may dilute the holdings of particular shareholders to the extent that such shareholders do not subscribe for additional equity or are otherwise not invited to subscribe for additional equity.

(c) Share price and liquidity

SomnoMed is subject to a general market risk inherent in all securities traded on a stock exchange. The market price for SomnoMed's shares may fluctuate over time as a result of a number of factors, including the financial performance and prospects of the Group, prevailing market conditions, commodity prices and foreign exchange movements, general investor sentiment, inflation, geo-political conditions, fiscal policy and interest rate rises, as well as the liquidity and volume of the shares being bought or sold at any point in time. SomnoMed's shares may therefore rise above or below the current share price, depending on its financial performance and various other factors which are outside of its control.

(d) Litigation, claims regulatory investigations and disputes

SomnoMed may from time to time become involved in regulatory investigations and enforcement actions, litigation, disputes and other claims and disputes in the course of its business, which may be with or without merit. This includes employment disputes, contractual disputes, indemnity claims, regulatory enforcement actions and investigations and criminal or civil proceedings. As an ASX-listed company this also includes the risks of shareholder claims and regulatory investigations and actions associated with obligations common to all listed entities such as continuous disclosure obligations. Legal proceedings may also eventuate where parties seek to re-negotiate pricing once a contract has been signed. There is a risk that any such litigation, claims, investigations, enforcement actions and disputes could materially and adversely affect SomnoMed's business, operations and financial performance, including the costs of bringing, defending or settling such claims as well as SomnoMed's reputation. Specifically, if SomnoMed is involved in any claims, litigation, regulatory investigations or enforcement actions, disputes or other legal proceedings this may disrupt SomnoMed's business, cause SomnoMed to incur legal costs (which if they are significant could require the Company to obtain additional capital) and reputational damage and/or may divert management's attention away from the day to day operation of the business.

(e) Taxation

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in SomnoMed's shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which SomnoMed operates, may impact the future tax liabilities and performance of SomnoMed. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on shareholder returns.

5 Additional Information

5.1 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

The Board has adopted a policy on compliance with the Listing Rules which sets out the obligations of the Directors, officers and employees to ensure the Company satisfies the continuous disclosure obligations imposed by the Listing Rules and the Corporations Act. The policy provides information as to what a person should do when they become aware of information which could have a material effect on the Company's securities and the consequences of non-compliance.

5.2 Legal framework of this Prospectus

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure (ED) securities and the securities are in a class of securities that were quoted ED securities at all times in the three months before the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

5.3 Information available to Shareholders

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Sydney during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC. The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the Offer Period under this Prospectus:

- (a) the annual financial report for the Company for the year ended 30 June 2023;
- (b) the interim half-year financial report of the Company for the half-year ended 31 December 2023; and
- (c) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the annual financial report of the Company for the year ending 30 June 2023 and before the issue of this Prospectus:

Date	Announcement
3 October 2023	Change in Substantial Shareholding from AEF
12 October 2023	Director resignation
12 October 2023	Final Director's Interest Notice
12 October 2023	Notification of cessation of securities - SOM
24 October 2023	Notice of Annual General Meeting
24 October 2023	Proxy Form AGM
26 October 2023	Wilson's conference - presentation
30 October 2023	Quarterly Cash Report
30 October 2023	Quarterly Activities Report
24 November 2023	AGM Chairman & CEO addresses
24 November 2023	Results of meeting
28 December 2023	Ceasing to be a substantial holder
30 January 2024	Quarterly Activities Report
30 January 2024	Quarterly Appendix 4C Cash Flow Report
22 February 2024	Appointment of Co-CEOs
22 February 2024	Material terms of employment agreements Co-CEOs
22 February 2024	Final Director's Interest Notice
22 February 2024	Notification of cessation of securities - SOM
23 February 2024	Change of Director's Interest Notice
23 February 2024	Change of Director's Interest Notice
28 February 2024	Half Year Report and Accounts
28 February 2024	Solid start in 1H as core business revenues increase 13%
28 February 2024	Investor Presentation
27 March 2024	Trading Halt
2 April 2024	Suspension from Quotation
5 April 2024	Update on voluntary suspension & FY24 earnings guidance

The above documents may also be obtained from the Company's website (<https://somnomed.com/au/about-us/investors-partners/>) or ASX's website (www.asx.com.au). The Company's ASX code is 'SOM'.

5.4 Underwriting Agreement

Wilsons is acting as Lead Manager and underwriter to the Entitlement Offer. SomnoMed has entered into the Underwriting Agreement with Wilsons in respect of the Entitlement Offer. The Underwriting Agreement contains representations and warranties and indemnities in favour of Wilsons. Wilsons may also, in certain circumstances, terminate its obligations under the Underwriting Agreement if any of the following events occur prior to

8.00am on the date for the issue of shares under the retail component of the Entitlement Offer by giving written notice to SomnoMed:

- (a) **(Prospectus)** a statement in the Prospectus is or becomes misleading or deceptive or a matter required to be included is omitted from the Prospectus (including, without limitation having regard to section 713);
- (b) **(Offer Materials)** the Entitlement Offer related offer materials **(Offer Materials)** (other than the Prospectus):
 - (i) contain a statement that is or becomes false, misleading or deceptive or likely to mislead or deceive;
 - (ii) omit any information they are required to contain; or
 - (iii) fail to comply with the Corporations Act or any other applicable law or any statement about a future matter (including the doing or, or refusing to do, an act, and also including any forecast, expression of opinion, intention or expectation) expressed in the Offer Materials (other than the Prospectus) being taken to be misleading in accordance with section 769 of the Corporations Act;
- (c) **(listing)** ASX announces that SomnoMed will be removed from the official list or that its Shares will be delisted or suspended from quotation by ASX for any reason or ASX makes any official statement to any person or indicates to SomnoMed or Wilsons that official quotation on ASX of the New Shares will not be granted;
- (d) **(notifications)** ASIC (i) applies for an order under section 1324 or 1325 of the Corporations Act or an order under Part 9.5 of the Corporations Act, in relation to the Offer Materials; (ii) holds, or gives notice of intention to hold, a hearing or investigation in relation to the Entitlement Offer or any Offer materials; (iii) prosecutes or gives notice of an intention to prosecute; or (iv) commences proceedings against, or gives notice of an intention to commence proceedings against, SomnoMed or any of its officers, employees or agents in relation to the Entitlement Offer or any Offer Material, and the matter has not been withdrawn within 2 business days of receipt, or by the date of settlement of the institutional component of the Entitlement Offer **(Institutional Settlement Date)** if arising within that period, or the date of settlement of the retail component of the Entitlement Offer if arising after the Institutional Settlement Date and within that period;
- (e) **(suspension)** ASX suspends trading of the New Shares for any period of time, other than the trading halt existing voluntary suspension under Listing Rule 17.2 (as previously announced to ASX on 2 April 2024) and any other trading halt or suspension made with the prior agreement of the Lead Manager;
- (f) **(market fall)** at any time (i) before the Institutional Settlement Date, the S&P/ASX 300 Index falls to a level that is 88% or less of the level as at the close of trading on the business date before the date of the Underwriting Agreement; and (ii) after the Institutional Settlement Date, the S&P/ASX 300 Index falls to a level that is 88% or less of the level as at the close of trading on the business day before the date of the Underwriting Agreement and stays at or below that level for more than two trading days;
- (g) **(quotation)** unconditional approval (or conditional approval, provided that the conditions would not, in the reasonable opinion of Wilsons, have a material adverse effect on the success or settlement of the Entitlement Offer) by ASX for official quotation of (i) the shares to be issued under the institutional component of

the Entitlement Offer is refused, or not granted by the Institutional Settlement Date or is withdrawn, qualified or withheld on or before the Institutional Settlement Date; or (ii) the shares to be issued under the retail component of the Entitlement is refused, or not granted by the retail shortfall settlement date or is withdrawn, qualified or withheld on or before the retail shortfall settlement date;

- (h) **(capital structure)** SomnoMed alters its capital structure without the consent of Wilsons, other than by issuing securities required as a consequence of Entitlement Offer;
- (i) **(timetable)** any event specified in the timetable for the Entitlement Offer is delayed by SomnoMed for more than one business day without the prior written consent of Wilsons;
- (j) **(withdrawal)** SomnoMed withdraws any Offer Material or the Entitlement Offer or indicates that it does not intend to proceed with the Offer;
- (k) **(unable to issue)** SomnoMed is prevented from granting entitlements or issuing New Shares under the Offer in accordance with ASX Listing Rules, applicable laws, a government agency or an order of a court of competent jurisdiction;
- (l) **(prosecution)** any of the following new circumstances occur following the execution of the Underwriting Agreement (i) a director of SomnoMed is charged with an indictable offence; (ii) any government agency commences any public proceedings against SomnoMed or any of its directors in their capacity as a director of SomnoMed, or announces that it intends to take such action; or (iii) any director of SomnoMed is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- (m) **(change in CEO, CFO or Chair)** a change in CEO, CFO or Chair of SomnoMed occurs;
- (n) **(ASX and ASIC)** ASX or ASIC withdraws or revokes any waivers, consents or approvals required for the Entitlement Offer which has granted to permit the Offer to occur, or ASX or ASIC amends in a material respect such consents, waivers, approvals or modifications;
- (o) **(certificate)** any certificate which is required to be furnished by SomnoMed under the Underwriting Agreement is not furnished;
- (p) **(insolvency event)** any insolvency event occurs in respect of SomnoMed or any of its subsidiaries (together, the Group);
- (q) **(force majeure)** there is an event or occurrence, including an official directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency or a pandemic or an epidemic (such as novel coronavirus, a recurrence of Severe Acute Respiratory Syndrome or an outbreak of swine or avian influenza), which makes it illegal for Wilsons to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Entitlement Offer;
- (r) **(conduct)** SomnoMed or any of its directors or officers (as that term is defined in the Corporations Act) engage in any fraudulent, misleading or deceptive conduct or activity in connection with the Offer;

- (s) **(refund)** any circumstance arising after the date of the Underwriting Agreement that results in SomnoMed, without the prior written consent of Wilsons, offering one or more applicants an opportunity to withdraw their valid applications(s);
- (t) **(ASIC)** ASIC:
- (i) issues an order (including an interim order) under section 739 of the Corporations Act;
 - (ii) makes an application for an order under Part 9.5 of the Corporations Act in relation to the Entitlement Offer or the Offer Materials;
 - (iii) commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Entitlement Offer or the Offer Materials;
 - (iv) holds, or gives notice of intention to hold, a hearing or investigation in relation to the Entitlement Offer or the Company; or
 - (v) prosecutes or gives notice of an intention to prosecute or commences proceedings against, or gives notice of an intention to commence proceedings against, the Company or any of its directors, officers, employees or agents in relation to the Entitlement Offer,
- in each case, which either becomes public or if not public, is withdrawn within 2 Business Days or by 5.00pm on the day before the relevant settlement date (as applicable);
- (u) **(new information)** a new circumstance which is adverse to an investor arises or becomes known which, if known at the time of lodgement of the Prospectus with ASIC, would have been required to be included in the Prospectus;
- (v) **(Supplementary Prospectus):**
- (i) the Company lodges a supplementary prospectus that has not been approved by the Lead Manager; or
 - (ii) a supplementary prospectus is required to be lodged with ASIC under the Corporations Act;
- (w) **(future matters)** any statement in an Offer Materials which relates to future matters or any forecast or forward looking statement is or becomes incapable of being met, or in the reasonable opinion of Wilsons, unlikely to be met;
- (x) **(application)** there is an application to a government agency (including, without limitation, the Takeovers Panel) for an order, declaration (including, in relation to the Takeovers Panel, of unacceptable circumstances) or other remedy in connection with the Entitlement Offer (or any part of it), except where such application does not become public and is withdrawn or dismissed within two business days after it is commenced or where it is commenced less than two business days before the date for issue of Shares under the institutional component of the Entitlement Offer or completion of the Entitlement Offer it has not been withdrawn or dismissed by the date for issue of Shares under the institutional component of the Entitlement Offer or completion of the Entitlement Offer (as the case may be);
- (y) ***(statement)** a statement in a certificate furnished by SomnoMed under the Underwriting Agreement is untrue or incorrect in a material respect;

- For personal use only
- (z) ***(changes to SomnoMed)** SomnoMed (i) varies any term of its Constitution, (ii) alters the issued capital or capital structure of SomnoMed other than in connection with the Entitlement Offer or (iii) disposes, attempts or agrees to dispose of a substantial part of the business or property of SomnoMed (including any material subsidiary of SomnoMed), without the prior written consent of Wilsons;
 - (aa) ***(hostilities)** hostilities not presently existing commence (whether or not war has been declared), or a major escalation in existing hostilities occurs (whether or not war has been declared) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, the Republic of China, North Korea, South Korea or a member state of the European Union or the declaration by any of these countries of a national emergency or war or a major terrorist act is perpetrated anywhere in the world;
 - (bb) ***(material financing arrangement)** any breach or defaults under any provision, undertaking, covenant or ratio of any material debt or financial arrangement of SomnoMed or an event of default, potential event of default or review event which in each case gives a lender or financier the right to accelerate or require repayment of the debt or financing occurs in respect of any material debt or financial arrangement of SomnoMed;
 - (cc) ***(breach of obligations)** SomnoMed is in breach of any terms and conditions of the Underwriting Agreement (other than with respect to compliance with the timetable for the Entitlement Offer);
 - (dd) ***(breach of other representations)** any of the warranties given by SomnoMed under the Underwriting Agreement is or becomes incorrect, untrue or misleading;
 - (ee) ***(information supplied to Wilsons)** the information supplied by or on behalf of SomnoMed to Wilsons for the purposes of the due diligence investigations undertaken in connection with the Entitlement Offer taken as a whole is, or the Offer Materials are, false, misleading or deceptive (including by omission);
 - (ff) ***(change in law)** there is introduced, or there is an official public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced prior to the date of this agreement), any of which does or is likely to prohibit, restrict or regulate the Offer, capital issues, the level or likely level of valid applications under the Entitlement Offer or stock markets;
 - (gg) ***(contravention of law)** a contravention by SomnoMed of the Corporations Act, its Constitution, any of the ASX Listing Rules, any other applicable law or regulation (as amended or varied) or order or request made by or on behalf of ASIC, ASX or any government agency;
 - (hh) ***(market or trading disruption)** any of the following occurs (i) trading in securities generally on ASX, the New York Stock Exchange, and/or the London Stock Exchange is suspended or limited in a material respect on three or more consecutive days (ii) a general moratorium on commercial banking activities is declared in Australia, the United States of America, Hong Kong, Canada, Japan or the United Kingdom is declared by the relevant central banking authority in any of the countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or (iii) any adverse change or disruption in the political or economic conditions or adverse effect on the financial markets in Australia, the United States of America, Hong Kong, Canada,

Japan or the United Kingdom, or in foreign exchange rates or any development involving a prospective change in political or economic conditions or markets in any of those countries or in foreign exchange rates; and

- (ii) ***(adverse change)** in the bona fide and reasonable opinion of Wilsons, there is a material adverse change, or any one or more matters, events or circumstances occurs, is announced or disclosed or becomes known to Wilsons (whether or not it becomes public) which individually or when aggregated with any other such matters, events or circumstances is likely to give rise to a material adverse change, in the financial position or performance, shareholders' equity, profits, losses, results, condition, operations or prospects of SomnoMed.

No event listed with an (*) in this Prospectus above entitles Wilsons to exercise its termination rights unless, Wilsons has reasonable grounds to believe or actually believes that the event (a) has had, is having or is reasonably likely to have a material adverse effect on the financial position or performance, shareholder's equity, profits, losses, results, condition, operations or prospects of the Group either individually or taken as a whole or the success or outcome of the Entitlement Offer, the market price of New Shares to be issued under the Entitlement Offer or Shares or the ability of Wilsons to market, promote or settle the Entitlement Offer (including matters likely to have an effect on a decision of an investor to invest in Shares or New Shares to be issued under the Entitlement Offer); (b) leads (or is, in Wilsons' opinion, reasonably likely to lead) to Wilsons' obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement was entered into; or (c) leads (or is, in Wilsons' opinion, reasonably likely to lead) to the contravention, or involvement in a contravention of, or a liability under the Corporations Act or any other applicable law.

If Wilsons terminates its obligations under the Underwriting Agreement, Wilsons will not be obliged to perform any of its obligations that remain to be performed. Termination of the Underwriting Agreement could have an adverse impact on the amount of proceeds raised under the Entitlement Offer.

5.5 Corporate Governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent that they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th edition) where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has disclosed the reasons for the departure in its Corporate Governance Statement for the financial year ended 30 June 2023. This can be found in on the Company's website at <https://SomnoMed.com/au/about-us/corporate-governance/>.

5.6 Agreements with Directors and related parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Except to the extent otherwise disclosed in this Prospectus, the Company does not intend to issue any securities to Directors or other related parties at this time, other than up to the extent of their Entitlement under the Entitlement Offer.

5.7 Rights Attaching to Shares

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights which attach to the Company's Shares:

(a) Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid Share held by him or her and a proportionate vote for every Share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five Shareholders entitled to vote on the particular resolution present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the Shares of all those Shareholders having the right to vote on the resolution.

(b) Dividends

Dividends are payable out of the Company's profits and are declared by the Directors.

(c) Transfer of Shares

A Shareholder may transfer Shares by any method of transfer which is required or permitted by the Listing Rules or the Corporations Act for the purpose of facilitating transfers in Shares.

The Directors of the Company may refuse to register any transfer of Shares, (other than a market transfer) where the Company is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules.

(d) Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules.

(e) **Liquidation Rights**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as it considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(f) **Shareholder Liability**

As the New Shares offered under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(g) **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 clear days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

(h) **Listing Rules**

If the Company is admitted to the Official List, then despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

5.8 Interests of Directors

(a) **Directors' holdings**

At the date of this Prospectus, the Relevant Interest in which the Directors and their Associates have in the securities of the Company is as follows:

Director	Number of Shares		Number of Options	
	Direct	Indirect	Direct	Indirect
Guy Russo	-	437,839 ¹	-	370,000
Hamish Corlett	-	32,572,382 ²	185,000	-
Karen Borg	-	-	185,000 ³	-
Amrita Blickstead	114,983	-	185,000 ⁴	-
Michael Gordon	-	113,090 ⁵	-	185,000

Notes:

1. Registered holding held by Mr Gaetano Alfred Gerrard Russo & MsDeanne Maree Bevan as trustee

of the Rushev Superannuation Fund (a self-managed superannuation fund which Mr Russo is also a member of).

2. Hamish Corlett has a Relevant Interest in TDM by virtue of his Relevant Interest in Madlewill Investment Pty Ltd (as Madlewill Investment Pty Ltd has a Relevant Interest in TDM).

3. As announced on 23 September 2023, 1,925,000 Zero Exercise Price Options to be issued in 3 tranches between 23 February 2024 and 1 July 2025 conditional upon shareholder approval as part of Co-CEO employment agreement.

4. As announced on 23 September 2023, 1,925,000 Zero Exercise Price Options to be issued in 3 tranches between 23 February 2024 and 1 July 2025 conditional upon shareholder approval as part of Co-CEO employment agreement.

5. Registered holder is Bond Street Custodians Limited held on behalf of Gordon Super Pty Limited as trustee for the Gordon Family Superannuation Fund (Mr Gordon is a director of the Trustee and a member of the Gordon Family Superannuation Fund).

(b) Remuneration of Directors

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting. The current maximum is \$500,000.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Details of remuneration provided to Directors and their associated entities during the past two financial years is as follows:

Financial Year ended 30 June 2022

Directors	Director's Fees/Salaries \$	Superannuation \$	Other & Share based Payments \$	Total \$
Guy Russo	90,909	9,091	84,227	184,227
Neil Verdal-Austin	505,233	57,682	453,632	1,040,261
Hilton Brett	45,455	4,545	40,978	90,978
Amrita Blickstead	45,455	4,545	40,978	90,978
Hamish Corlett	45,455	4,545	40,978	90,978
Michael Gordon	45,455	4,545	42,113	92,113
Karen Borg	45,455	4,545	40,978	90,978

Financial Year Ended 30 June 2023

Directors	Director's Fees/Salaries \$	Superannuation \$	Other & Share based payments \$	Total \$
Guy Russo	90,909	9,545	84,227	184,681
Neil Verdal-Austin	505,951	27,500	238,906	817,357
Hilton Brett	45,455	4,773	40,978	91,206

Directors	Director's Fees/Salaries \$	Superannuation \$	Other & Share based payments \$	Total \$
Amrita Blackstead	45,455	4,773	40,978	91,206
Hamish Corlett	45,455	4,773	40,978	91,206
Michael Gordon	45,455	4,773	42,113	92,341
Karen Borg	45,455	4,773	40,978	91,206

The estimated remuneration for Directors and their associated entities for the current financial year ending 30 June 2024 is as follows:

Directors	Director's Fees/Salaries \$	Superannuation \$	Termination benefits	Other & Share based payments \$	Total \$
Guy Russo	70,909	10,000		84,458	165,367
Neil Verdal-Austin ¹	350,431	76,243	874,705	106,379	1,407,758
Hilton Brett ²	13,258	1,667		11,984	26,909
Amrita Blackstead ³	206,584	22,724		41,090 ⁵	270,398
Hamish Corlett	29,382	3,232		41,090	73,704
Michael Gordon	48,485	1,667		42,229	92,381
Karen Borg ⁴	278,256	20,224		41,090 ⁶	339,570

Notes:

1. Neil Verdal-Austin resigned as a Director and CEO on 22 February 2024 and was paid remuneration (including accrued leave provisions) in accordance with the terms of his employment contract as announced to ASX on 22 April 2021.
2. Hilton Brett retired as a Director on 12 October 2023
3. Appointed as Co-CEO on 23 February 2024
4. Appointed as Co-CEO on 23 February 2024
5. Figure excludes 1,925,000 Zero Exercise Price Options to be issued in 3 tranches between 23 February 2024 and 1 July 2025 conditional upon shareholder approval as part of Co-CEO employment agreement.
6. Figure excludes 1,925,000 Zero Exercise Price Options to be issued in 3 tranches between 23 February 2024 and 1 July 2025 conditional upon shareholder approval as part of Co-CEO employment agreement.

(c) **Directors' interests**

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (i) the formation or promotion of the Company;

- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (iii) the Offer.

It is the current intention of all Directors that hold Shares directly (i.e. Michael Gordon, Guy Russo and Amrita Blickstead) to subscribe for all of their Entitlements under this Prospectus. Mr Russo, Ms Blickstead and Ms Borg have also agreed to partially sub-underwrite the Entitlement Offer, see Section 1.11 for further details.

All Directors may or may not purchase additional Shares prior to the Record Date.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce that Director to become, or to qualify as, a Director, or otherwise for services rendered by that Director or their company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

5.9 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Wilson is the Lead Manager to the Offer and has agreed to fully underwrite the Offer. The Company will pay the Lead Manager for these services the fees described in section 1.10.

Gilbert + Tobin acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately \$126,000 (plus disbursements and GST) up to the date of this Prospectus in respect of those services. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges.

5.10 Consents

Each of the other parties referred to in this section 5.10:

- (a) has not authorised or caused the issue of this Prospectus;

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- (b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section; and
 - (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) TDM in relation to its participation in the Entitlement Offer;
- (b) Wilsons as Lead Manager to the Offer; and
- (c) Gilbert + Tobin as Australian legal adviser.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

5.11 Legal proceedings

The Company may, from time to time, be party to litigation and other claims and disputes incidental to the conduct of the Company's business. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Company's business, operating and financial performance. As far as the Directors are aware however, there is no current or threatened litigation, claim or dispute of a material nature in which the Company is directly or indirectly involved, which is likely to have a material adverse impact on the business or financial position of the Company.

The Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

5.12 Electronic Prospectus

Pursuant to ASIC Regulatory Guide 107, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC, and the issue of securities in response to an electronic Application Form, subject to compliance with certain provisions. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please email the Company using the details in the Corporate Directory and the Company will send you either a hard copy or a further electronic copy of this Prospectus, or both. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the relevant electronic Application Form, it was not provided with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

6 Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 9 April 2024

Mr Guy Russo

A handwritten signature in black ink, appearing to read 'G Russo', written over a light grey circular background.

Non-Executive Chairman

For and on behalf of
SomnoMed Limited

7 Defined Terms

\$	Australian dollars, unless otherwise stated.
AEST	Australian Eastern Standard Time.
AASB	The accounting standards developed, issued and maintained by the Australian Accounting Standards Board.
Additional New Shares	New Shares applied for by Eligible Retail Shareholders in excess of their Entitlement under the Oversubscription Facility.
Applicant	An Eligible Shareholder who submits an Entitlement and Acceptance Form.
Application	An application for New Shares under the Entitlement Offer.
Application Monies	Monies received from persons applying for New Shares under the terms of the Entitlement Offer.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given in section 11 of the Corporations Act.
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX Settlement Operating Rules	The operating rules of the settlement facility provided by ASX Settlement as amended from time to time.
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.
Board	The board of Directors.
Business Day	Every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
Company or SomnoMed	SomnoMed Limited (ACN 003 255 221).
Constitution	The constitution of the Company as at the date of this Prospectus.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
CPF	has the meaning given in section 4.2(a).
Directors	The directors of the Company as at the date of this Prospectus.
EBITDA	means earnings before interest, taxes, depreciation and amortisation but does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss), discontinued operations and once off restructuring cost.
Eligible Institutional Shareholder	A Shareholder who is eligible to participate in the Institutional Entitlement Offer as set out in section 1.14.
Eligible Retail Shareholder	A Shareholder who is eligible to participate in the Retail Entitlement Offer as set out in section 1.15.
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder.
Entitlement	The entitlement of an Eligible Shareholder to apply for Shares pursuant to the Entitlement Offer.
Entitlement and Acceptance Form	The personalised entitlement and acceptance form either attached to or accompanying this Prospectus in relation to the Entitlement Offer (including the electronic form provided by an online application facility).
Entitlement Offer or Offer	The pro-rata accelerated non-renounceable entitlement offer of New Shares the subject of this Prospectus (including any Shortfall).
Epsilon Facility	has the meaning given in section 4.2(d).
FDA	has the meaning given in section 4.2(c)

Financial Information	has the meaning given in section 2.1.
GN17	has the meaning given in section 1.4(c).
Group	The Company and its controlled entities.
Historical Financial Information	Has the meaning given in section 2.1.
IASB	International Accounting Standards Board.
IBC	has the meaning given in section 1.4(b).
IFRS	International Financial Reporting Standards issued by the IASB.
Ineligible Foreign Shareholders	Shareholders who are the registered holders of Shares but to whom the Entitlement Offer is not being made as set out in section 1.16.
Institutional Entitlement Offer	The institutional component of the Entitlement Offer.
Institutional Investors	<p>means a person who the Lead Manager reasonably believes is a person:</p> <ul style="list-style-type: none"> (a) if in Australia, that is able to be offered New Shares in circumstances that do not need disclosure under Chapter 6D.2 of the Corporations Act because of the operation of sections 708(8) to 708(12) (inclusive); or (b) in any other case, to whom an offer of New Shares may lawfully be made in a Permitted Jurisdiction outside Australia, under the applicable laws of the particular foreign jurisdiction without need for any lodgement, registration, approval or filing with a Government Agency (other than one with which the Company is willing to comply), <p>and subject to the foregoing may include retail brokers bidding on behalf of their clients.</p>
Lead Manager	Wilsons.
Listing Rules	The Listing Rules of ASX.
New Share	Any Share offered pursuant to the Entitlement Offer or the Shortfall under this Prospectus, the rights and liabilities of which are summarised in section 5.7.
Offer Period	The period from the date of this Prospectus until the Closing Date (inclusive of those dates).
Offer Price	\$0.21 per New Share.
Official List	The Official List of the ASX.
Official Quotation	Quotation on the Official List.
Option	An option to acquire a Share for a set exercise price issued under the Company's executive share and option plan.
OSA	has the meaning given in section 3.3(a).
Oversubscription Facility	The oversubscription offer under which Eligible Retail Shareholders may apply for Additional New Shares in excess of their Entitlement.
Permitted Jurisdiction	Each of Australia, New Zealand and any other jurisdictions as agreed between the Company and the Lead Manager.
Pro Forma Historical Financial Information	Has the meaning given in section 2.1.
Prospectus	This prospectus.
Record Date	7:00pm (AEST), Thursday 11 April 2024
Relevant Interest	has the meaning given in section 50 of the Corporations Act.

Retail Closing Date	5:00pm (AEST) Wednesday 1 May 2024 (unless extended)
Retail Entitlement Offer	The retail component of the Entitlement Offer.
Retail Opening Date	Tuesday, 16 April 2024.
Share	An ordinary fully paid share in the capital of the Company.
Shareholder	The registered holder of a Share.
Share Registry	The SomnoMed share registry, being Boardroom Pty Limited
Shortfall or Shortfall Shares	The number of New Shares under the Entitlement Offer not validly applied for by Eligible Shareholders under their Entitlement or the Oversubscription Facility before the Closing Date.
Shortfall Bookbuild	Has the meaning given in section 1.4(c).
TDM	TDM Growth Partners Pty Ltd.
TDM Sub-underwriting Agreement	Has the meaning given in section 1.11.
Underwriting Agreement	The underwriting agreement executed by the Lead Manager and the Company on or about the date of this Prospectus, which is summarised in section 5.4.
US Securities Act	US Securities Act of 1933.
Wilsons	Wilsons Corporate Finance Limited.