



26 February 2019

Ms Penelope Reid
Advisor, Listings Compliance (Perth)
Australian Stock Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000

Dear Penelope

RESPONSE TO APPENDIX 4C QUERY

Norwood Systems Limited (the Company) (ASX: NOR), refers to your letter dated 21 February 2019 in relation to NOR's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019.

In addition to the specific responses to your queries, please see below some commentary from the Company regarding its Appendix 4C:

- The Company notes that the estimated cash outflows for the next quarter relate to expenditure only, and do not consider any customer receipts in Q3 FY19; and
- The Company has the ability to apply and draw down on further funding via an R&D facility on the same terms detailed in section 8 of the abovementioned Appendix 4C.

We provide the following responses to your specific queries (the numbers below correspond to the numbers on the query received):

1. Does NOR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

NOR expects net cash outflows to decrease over the coming quarters as the Company continues with its prudent cost management and continues to develop relationships with Telcos and Mobile Virtual Network Operators.

In its Quarterly Activities Report for Q2 FY19 (*also lodged on 31 January 2019*), NOR highlighted significant growth in quarterly cash receipts and improvement in operating cash outflow. This follows the release of World Voicemail and a contract with Spark NZ.

2. Has NOR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, the Company is taking steps to raise further cash to fund its operations, including utilising an R&D facility and undertaking advanced discussions with potential investors that would provide

additional working capital via the issue of either debt or equity, or a mix of both. The Board believes these steps will be successful.

3. Does NOR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, the Company expects to be able to continue its operations and to meet its business objectives based on its responses to items 1 and 2 above.

4. Please confirm that NOR is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market?

The Company confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

5. Please confirm that NOR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NOR with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that this letter and the responses above have been authorised and approved by the Board.

For and on behalf of the Board

[Signed electronically without signature]

Steven Wood
Company Secretary

<ENDS>

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21 February 2019

Mr Steven Wood
Company Secretary
Norwood Systems Limited
PO Box 902
WEST PERTH WA 6872

By email: sw@grangeconsulting.com.au

Dear Mr Wood

Norwood Systems Limited ('NOR'): Appendix 4C Query

ASX refers to NOR's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019 (the 'Appendix 4C').

ASX notes that NOR has reported:

- negative net operating cash flows for the quarter of \$740,000;
- cash at the end of the quarter of \$418,000; and
- estimated cash outflows for the next quarter of \$879,000.

It is possible to conclude, based on the information in the Appendix 4C, that if NOR were to continue to expend cash at the rate indicated by the Appendix 4C, NOR may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks NOR to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does NOR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has NOR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does NOR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that NOR is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that NOR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NOR with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that NOR considers may be relevant to ASX forming an opinion on whether NOR is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.00 PM AWST Tuesday, 26 February 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in NOR's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NOR's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to NOR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that NOR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in NOR's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)