norwood
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27 March 2019

Dear Shareholder

NORWOOD SYSTEMS LIMITED – PRO-RATA NON-RENOUNCEABLE ENTITLEMENT OFFER

As announced on 25 March 2019, Norwood Systems Limited (ACN 062 959 540) (**Company**) is undertaking a non-renounceable entitlement issue of one (1) fully paid ordinary share (**New Share**) for every four (4) shares held by eligible shareholders at an issue price of $0.003 per New Share to raise up to approximately $1,133,391 (together with one (1) free attaching option (**Option**) for every New Share issued, exercisable at $0.008 per Option on or before 31 October 2020) (**Offer**). The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 25 March 2019.

The Offer is partially underwritten up to $1,083,391 by Pinnacle Corporate Finance Pty Ltd (ACN 149 263 543) (AFSL 403 684) (**Underwriter**). The Underwriter will be paid an underwriting fee of 5% of the total dollar amount underwritten by the Underwriter under the Offer (approximately $54,169), a management fee of 1% of the total dollar amount underwritten by the Underwriter under the Offer (approximately $10,834) and a $10,000 monthly retainer fee payable up to and including May 2019. In addition, the Company has agreed, subject to obtaining shareholder approval, to issue the Underwriter (or its nominee(s)) 20,000,000 Options as part consideration for services provided to the Company in connection with the Offer.

The Company intends to apply funds raised from the Offer in accordance with the table set out below:

Items of Expenditure	$	%
Pre-Offer cash available[1,2,3]	918,827	44.77%
Funds raised from the Offer	1,133,391	55.23%
Total	**2,052,218**	**100%**
Sales and marketing[3]	518,517	25.27%
Product development[4]	614,040	29.92%
Costs of the Offer	117,534	5.73%
General working capital[5]	802,127	39.09%
Total	**2,052,218**	**100%**

Notes:

1. As at 31 December 2018.
2. Includes gross proceeds of $300,000 raised pursuant to the convertible note agreement announced to ASX on 5 March 2019.
3. Includes gross proceeds of $200,000 raised via the issue of 66,666,667 Shares at $0.003 per Share pursuant to the placement announced to ASX on 20 March 2019
4. Includes direct sales consultants' costs of $145,925, estimated salaries attributed to sales & marketing of $339,152 and other marketing costs of $33,440.
5. Includes salaries for personnel involved in research and development of $418,760 and infrastructure costs of $195,280.
6. Intended to be allocated as follows: director fees of $127,743, other salary & wages $88,609, accounting (including R&D advisory) and company secretarial costs of $109,715, legal costs of $54,000, investor relations costs of $27,500, insurance costs of $23,080, rent and office costs of $59,630, fees payable to the lead manager of $18,000 in respect of the convertible loan agreement and general working capital costs of $293,850.

The above table is a statement of the Company's current intentions as at the date of this announcement. However, shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Company reserves the right to alter the way the funds are applied.

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 5:00pm (AEST) on Friday, 29 March 2019, whose registered address is in Australia or New Zealand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 377,796,853 New Shares resulting in total Shares on issue of approximately 1,888,984,264.

Ineligible shareholders

A Shareholder who has a registered address outside Australia and New Zealand (**Ineligible Shareholder**) will not be eligible to participate in the Offer.

You are not eligible to participate in the Offer and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside of Australia and New Zealand compared with the small number of Ineligible Shareholders and the number and value of New Shares to which they would otherwise be entitled.

If you have any queries concerning the Offer, please contact your financial adviser or Steven Wood, Norwood Systems Limited's Company Secretary, on +61 8 9200 3500.

Yours sincerely

Steven Wood
Company Secretary