

Ms Vanessa Nevjestic  
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ASX Listings Compliance  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

February 28, 2025

**Query Letter**

In reference to your letter of 24 February 2025 regarding your queries on the financial condition of the Company. The responses to your nine queries are as follows:

1. **What is NOR's current unaudited cash balance?**

- Current cash on hand as of 27 February 2025 is \$162,060.

2. **It is possible to conclude on the basis of the information provided that if NOR were to continue to expend cash at the rate for the quarter indicated by the Cash Outflow for the Quarter, taking into account the Negative Working Capital, NOR may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing NOR's position?**

No this is not the case for the following reasons:

- As previously disclosed Norwood continues negotiations with a major Australian Tier 1 Communications Service Provider ("CSP") to refresh its legacy voicemail platform using Norwood's CogVoice Voicemail offering. In addition, and as previously announced, Norwood is in ongoing discussions for paid Proofs of Concept (POCs) with several telecommunications operators including a major United Kingdom based operator, in collaboration with the relevant Microsoft CSP account teams. Both the Australian opportunity and the United Kingdom opportunity continue to be negotiated towards potential finalisation and, if concluded, would result in substantial cash inflow sufficient to cover 2025 and 2026 operating costs. The Australian opportunity, if successfully concluded, would have recurring revenues. The Company will consider raising additional funds when and if either or both of these two agreements are executed and announced to ASX. The Company has been successful with past capital raisings and more recently the issue of \$505,000 in convertible notes in December 2024.
- Norwood continues to leverage a loan facility for R&D expenditure through Radium Capital. This facility is accessible after each quarter's end, subject to certain criteria. The Company received a further \$310,000 from this R&D loan facility in January 2025 (covering July 2024 to December 2024 R&D expenditures) and expects to receive future funding based on current R&D activities.

3. **Does NOR expect that in the future it will have negative operating cash flows similar to that reported in the Quarterly Report? If so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate.**

No, refer to responses at question 2 and below.

- The cash drawdown facility with Balmain Resources Pty Ltd (Balmain), of which Director Dr John Tarrant is a director and sole shareholder, has been extended to 14 March 2025, with the new principal amount of \$744,467.65. An extension fee of 1.4% of the new principal amount will be applicable. Balmain has further confirmed that it will not require repayment of the drawdown facility during the period 24 February 2025 to 30 June 2025 unless the company has sufficient funds available to do so during that period either in whole repayment or in part repayment of the facility. (Refer to the ASX Announcement dated 26 February, titled 'Norwood varies cash drawdown facility' and the Interim Financial Report, note 2.5 & 12.1.3 lodged with ASX on 27 February 2025) A further additional funding tranche of \$75,000, has been made available under the same terms as the existing facility with a current repayment date of 31 March 2025. As of 28 February 2025 no part of this second tranche of the facility has yet been drawdown and accordingly, in addition to the current cash balance, the full \$75,000 remains available to Norwood.
- The increase in gross expenditures is due to strategic investments to capitalise on business opportunities, reflecting the company's confidence in its future on the basis that it will secure contracts with the Tier 1 CSPs as detailed in the response to question 2. The Company does not anticipate incurring additional costs to secure and perform these contracts.

**4. What steps has NOR taken, or what steps does it propose to take, to enable it to continue to meet its business objectives.**

- The Company expects to be able to continue its operations and meet its business objectives, based on the anticipated cash inflows detailed in the responses to question 2 and 3.

**5. Do the directors of NOR consider that NOR is a going concern?**

Yes.

**6. If the answer to question 5 is "yes", please explain the basis for this conclusion.**

- Norwood expects a further moderation in quarterly net cash outflows, underpinned by anticipated revenue from new and existing clients (see responses to question 2).
- Management have prepared a cashflow forecast for the next 12 months (which is updated on a regular basis for review by the Board of Norwood) that indicates the operating cashflows will be sufficient to meet expenses and other financial obligations as and when they fall due.
- The Company has the ability to raise funds from equity sources and has a successful record of past equity raisings that gives the board confidence that it can complete further capital raisings as and when required.

**7. If the answer to question 5 is "no", on what basis does NOR consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?**

Not applicable.

8. **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.**

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

9. **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.**

It is confirmed that the responses to the questions above have been authorised and approved by the board and I as an officer of the Company have the delegated authority from the board to respond to ASX on disclosure matters.

Please contact me if you would like to discuss any of the above matters.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stuart Usher', with a stylized flourish at the end.

**STUART USHER**

Company Secretary



24 February 2025

Reference: ODIN106280

Mr Stuart Usher  
Company Secretary  
Norwood Systems Limited  
C/- Grange Consulting  
PO Box 902  
Perth, Western Australia 6872

By email: stuart.usher@norwoodsystems.com

Dear Mr Usher

**Norwood Systems Limited ('NOR'): Query Letter**

ASX refers to the following:

- A. NOR's full year report for the full year ended 30 June 2024 released on the ASX Market Announcements Platform ('MAP') at 5:59 PM AEST on 30 September 2024 (the '2024 Full Year Report'), disclosing (relevantly) the following information:
- (i) Cash and cash equivalents as at 30 June 2024 of A\$68,984 ('Cash Balance');
  - (ii) Working capital deficiency as at 30 June 2024 of A\$1,345,048 ('Negative Working Capital'); and
  - (iii) Total equity deficit of A\$1,227,125 ('Negative Equity').
- B. The Independent Auditor's review report attached to the 2024 Full Year Report (the 'Auditor's Report') which contained the following material uncertainty related to going concern:

*"Material Uncertainty Related to Going Concern*

*We draw attention to Note 21.1.3 in the financial report which indicates that the Consolidated Entity incurred a net loss of \$2,584,155 during the year ended 30 June 2024. As stated in Note 21.1.3, these events or conditions, along with other matters as set forth in Note 21.1.3, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter."*

- C. NOR's quarterly activity and cash flow reports for the quarter ended 31 December 2024 entitled "Quarterly Activities/Appendix 4C Cash Flow Report" released on MAP at 8:45 AM AEDT on 31 January 2025 (the 'Relevant Date') (the 'Quarterly Report'), disclosing (relevantly) the following information:
- (i) Net cash used in operating activities for the quarter of A\$607,000 (the 'Cash Outflow for the Quarter');
  - (ii) Cash and cash equivalents at the end of the quarter of A\$218,000; and
  - (iii) 0.36 estimated quarters of funding available.
- D. NOR's responses to the question at item 8.6 of the Quarterly Report as set out below:

**8.6.1** *Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?*

Yes

8.6.2 *Has the entity 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?*

*The company has taken steps to raise further cash to fund its operations. The company has a proven history of successful capital raisings, share placements to Directors and the recent issue of convertible notes in December 2024 of \$505,000. The company additionally has forecast cash flows from customers sufficient to fund its operations. \$309,000 has been received in January 2025 from the Radium R&D loan facility for the period of July to December 2024 R&D work, which is typically accessible subsequent to the end of each quarterly period through Radium Capital, subject to certain criteria being met.*

8.6.3 *Does the entity 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.*

E. Listing Rule 12.2 which states:

12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*

#### **Request for information**

Having regard to the above, 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. What is NOR's current unaudited cash balance?
2. It is possible to conclude on the basis of the information provided that if NOR were to continue to expend cash at the rate for the quarter indicated by the Cash Outflow for the Quarter, taking into account the Negative Working Capital, NOR may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing NOR's position?
3. Does NOR expect that in the future it will have negative operating cash flows similar to that reported in the Quarterly Report? If so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate.
4. What steps has NOR taken, or what steps does it propose to take, to enable it to continue to meet its business objectives.
5. Do the directors of NOR consider that NOR is a going concern?
6. If the answer to question 5 is "yes", please explain the basis for this conclusion.
7. If the answer to question 5 is "no", on what basis does NOR consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?
8. 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.
9. 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.

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### 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 **09:00 AM AWST Friday, 28 February 2025**.

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 and may require NOR to request a trading halt immediately if trading in NOR's securities is not already halted or suspended.

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.

### 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 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 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*.

### Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in NOR's securities under Listing Rule 17.3.

### Listing Rules 3.1 and 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.

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**Release of correspondence between ASX and entity**

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

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ASX Compliance