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**NORWOOD SYSTEMS LIMITED****ACN 062 959 540****NOTICE OF ANNUAL GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 2:00 pm (WST)

**DATE:** Thursday, 29 November 2018

**PLACE:** The University Club  
Hackett Drive, Crawley WA 6009, Australia

***The business of the Meeting affects your shareholding and your vote is important.***

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2:00 pm (WST) on 27 November 2018.***

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

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#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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#### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GILES EVERIST

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 20.2 of the Constitution, and for all other purposes, Mr Giles Everist, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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#### 4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing*

*Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 4 – APPROVAL FOR THE ISSUE OF OPTIONS TO MR MICHAEL EDWARDS (OR HIS NOMINEE) UNDER THE NORWOOD SYSTEMS EMPLOYEE OPTION PLAN**

To consider and, if though fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 4,000,000 Zero Exercise Price Options (ZEPO) to Non-Executive Director, Mr Michael Edwards (and/or his nominee) under the Norwood Systems Employee Option Plan ("Plan") on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Michael Edwards (or his nominee) or any of their associates (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 4 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment of this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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**6. RESOLUTION 5 – APPROVAL FOR THE ISSUE OF OPTIONS TO MR GILES EVERIST (OR HIS NOMINEE) UNDER THE NORWOOD SYSTEMS EMPLOYEE OPTION PLAN**

To consider and, if though fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 4,000,000 Zero Exercise Price Options (ZEPO) to Non-Executive Director, Mr Giles Everist (and/or his nominee)*

*under the Norwood Systems Employee Option Plan ("Plan") on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Giles Everist (or his nominee) or any of their associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 5 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment of this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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**7. RESOLUTION 6 – APPROVAL FOR THE ISSUE OF OPTIONS TO MR PAUL OSTERGAARD (OR HIS NOMINEE) UNDER THE NORWOOD SYSTEMS EMPLOYEE OPTION PLAN**

To consider and, if though fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 60,000,000 Options to Managing Director, Mr Paul Ostergaard (and/or his nominee) under the Norwood Systems Employee Option Plan ("Plan") on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Paul Ostergaard (or his nominee) or any of their associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 6 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment of this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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**Dated: 26 October 2018**

**By order of the Board**



**Steven Wood**  
**Company secretary**

**Voting in person**

To vote in person, attend the Meeting at the time, date and place set out above.

**Voting by proxy**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9322 7600.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <https://norwoodsystems.com>.

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

#### 2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

### **2.3 Previous voting results**

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

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## **3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GILES EVERIST**

### **3.1 General**

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr Giles Everist, who has served as a director since 13 November 2015 and was last re-elected on 30 November 2016, retires by rotation and seeks re-election.

### **3.2 Qualifications and other material directorships**

Mr Everist has extensive corporate and financing experience, having held executive financial roles at Coopers and Lybrand, Rio Tinto, Fluor Australia, and Monadelphous. Mr Everist has previously chaired ASX listed companies and brings outstanding corporate governance credentials and superb finance capabilities to the Board of the Company.

Mr Everist is a Chartered Accountant and a member of the Institute of Chartered Accountants (England and Wales). He holds a Bachelor of Sciences (Honours) in Mechanical Engineering from the University of Edinburgh.

Mr Everist is a current director of the following ASX listed company:

(a) Austal Limited – Non-Executive Director.

During the last three years, Mr Everist has also served as a Non-Executive Director of Macmahon Holdings Limited, Decmil Group Limited and Logicamms Limited.

### **3.3 Independence**

Mr Everist has no interests, position, association or relationship that might influence, or reasonably be perceived the influence, in a material respect his capacity to bring independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected the board considers Mr Everist will be an independent director.

### **3.4 Board recommendation**

The Board supports the re-election of Mr Everist and recommends that Shareholders vote in favour of Resolution 2.

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## 4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

### 4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$7,843,907 (based on the number of Shares on issue and the closing price of Shares on the ASX on 11 October 2018).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has two (2) classes of quoted Equity Securities on issue, being the Shares (ASX Code: NOR) and the listed Options.

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

### 4.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

#### (a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or



- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 4.2(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 3 October 2018.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.0025 50% decrease in Issue Price	\$0.005 Issue Price	\$0.0075 50% increase in Issue Price
1,568,781,482 (Current Variable A)	Shares issued - 10% voting dilution	156,878,148 Shares	156,878,148 Shares	156,878,148 Shares
	Funds raised	\$392,195	\$784,391	\$1,176,586
2,353,172,223 (50% increase in Variable A)	Shares issued - 10% voting dilution	235,317,222 Shares	235,317,222 Shares	235,317,222 Shares
	Funds raised	\$588,293	\$1,176,586	\$1,764,879
3,137,562,964 (100% increase in Variable A)	Shares issued - 10% voting dilution	313,756,296 Shares	313,756,296 Shares	313,756,296 Shares
	Funds raised	\$784,391	\$1,568,781	\$2,353,172

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 1,568,781,482 Shares on issue comprising:
  - (a) 1,327,430,485 existing Shares as at the date of this Notice of Meeting; and
  - (b) 241,350,997 Shares which are to be issued on 2 November 2018 pursuant to the renounceable entitlement issue of 2 new Shares for every 11 Shares held by eligible holders, as set out in the Entitlement Issue Prospectus announced on 26 September 2018.
2. The issue price set out above is the closing price of the Shares on the ASX on 11 October 2018.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for potential acquisition of new assets and investments (including expenses associated with such an acquisition), continued expenditure on and development of the Company's current assets and general working capital; or
- (ii) as non-cash consideration for the acquisition of assets, and in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 28 November 2017 (**Previous Approval**).

The Company has issued 80,000,000 Shares pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 28 November 2017 – 12 months prior to the Meeting, the Company also issued a further 323,351,095 Shares and 270,538,497 Options which represents approximately 39.78% of the total diluted number of Equity Securities on issue in the Company on 28 November 2017 – 12 months prior to the Meeting, which was 1,493,122,164.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 1.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

#### **4.3 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

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## **5. RESOLUTIONS 4 AND 5 – APPROVAL FOR THE ISSUE OF RELATED PARTY OPTIONS TO MESSRS EDWARDS AND EVERIST (OR THEIR NOMINEES) UNDER THE NORWOOD SYSTEMS EMPLOYEE OPTION PLAN**

### **5.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 8,000,000 zero exercise price Options (**ZEPO**) to Messrs Edwards and Everist (**Related Parties**) on the terms and conditions set out below.

Resolutions 4 and 5 seek Shareholder approval for the grant of the ZEPO's to Messrs Edwards and Everist (or their nominees).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Zero Exercise Price Options (**ZEPO's** or **Related Party Options**) constitutes giving a financial benefit and Messrs Edwards and Everist are related parties of the Company by virtue of being Directors.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Related Party Options to Messrs Edwards and Everist.

## **5.2 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.14**

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the related parties are Messrs Edwards and Everist and they are related parties by virtue of being Directors;
- (b) the maximum number of ZEPO's to be issued to Messrs Edwards and Everist (or their nominees) is 8,000,000, in the following allotments:
  - (i) Mr Edwards will be issued 4,000,000 ZEPO's; and
  - (ii) Mr Everist will be issued 4,000,000 ZEPO's;
- (c) the Related Party Options will be granted to the Related Parties no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the Related Party Options will be granted for nil cash consideration; accordingly no funds will be raised;
- (e) the deemed issue price of the Related Party Options is \$0.005, based upon the closing price of the Company's Shares on 11 October 2018, being a total deemed value of \$40,000;
- (f) the ZEPO's do not have an exercise price and will be issued on the terms and conditions set out in Schedule 2;

- (g) the ZEPO's will automatically vest upon the satisfaction of certain vesting conditions as set out in section (d) of Schedule 2;
- (h) the following Options have previously been issued under the Plan:
- (i) 1,250,000 ZEPO's to Mr Michael Edwards on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019);
  - (ii) 1,250,000 ZEPO's to Mr Giles Everist on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019);
  - (iii) 1,687,500 ZEPO's to Mr Amit Pau on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019)<sup>1</sup>; and
  - (iv) 2,500,000 Options to Mr Paul Ostergaard on or about 15 December 2017 (with an exercise price of \$0.023 each, exercisable on or before 15 December 2020); and
  - (v) 2,500,000 Options to Mr Paul Ostergaard on or about 15 December 2017 (with an exercise price of \$0.028 each, exercisable on or before 15 December 2020);

**Notes:**

<sup>1</sup> Mr Pau has resigned from the Company (refer to ASX announcement "Director Resignation" dated 18 September 2018), but continues to have a relevant interest in the above ZEPO's (refer to ASX announcement "Appendix 3Z – Final Director's Interest Notice" dated 18 September 2018).

<sup>2</sup> All Options listed under section 5.2 (h) were issued for nil consideration.

- (i) Mr Paul Ostergaard, Mr Mike Edwards and Mr Giles Everist are directors of the Company and eligible participants under the Norwood Systems Employee Option Plan (**Eligible Participants**);
- (j) the Related Parties have not entered into any loans with the Company in relation to Resolutions 4 and 5;
- (k) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Michael Edwards	4,900,770	4,250,000 <sup>1</sup>
Giles Everist	1,117,558	3,250,000 <sup>2</sup>

**Notes:**

<sup>1</sup> 3,000,000 Options exercisable at \$0.173 each on or before 27 November 2018.

<sup>1</sup> 1,250,000 ZEPO's expiring on 15 December 2019.

<sup>2</sup> 2,000,000 Options exercisable at \$0.107 each on or before 29 December 2018.

<sup>2</sup> 1,250,000 ZEPO's expiring on 15 December 2019.

- (l) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	2018	2017
Michael Edwards	\$45,000 <sup>1</sup>	\$44,710 <sup>1</sup>
Giles Everist	\$45,000 <sup>2</sup>	\$39,420 <sup>2</sup>

**Notes:**

<sup>1</sup> Excludes superannuation.

<sup>2</sup> Includes superannuation.

- (m) if the Related Party Options granted to the Related Parties are exercised, a total of 8,000,000 Shares would be issued. This will increase the number of Shares on issue from 1,568,781,482 to 1,576,781,482 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.51%, comprising 0.25% by Mr Edwards and 0.25% by Mr Everist (with the aggregate dilution percentage being greater than the sum of Messrs Edwards and Everist's dilution percentages due to rounding).

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (n) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	2.9 cents	1 December 2017
Lowest	0.4 cents	24 July 2018
Last	0.5 cents	11 October 2018

- (o) the Board acknowledges the grant of Related Party Options to Messrs Edwards and Everist's is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2<sup>nd</sup> Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to Messrs Edwards and Everist is reasonable in the circumstances for the reason set out in paragraph (r);
- (p) the primary purpose of the grant of the Related Party Options to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (q) the Company previously engaged an independent remuneration consultant to advise the Company of a suitable quantum and structure of an incentive-based remuneration plan for management and

executive and non-executive members of the Board. The independent consultant advised that the issue of related party incentive options forms part of a fair and reasonable remuneration package designed to include the provision for rewards for generating medium to long term shareholder value. In considering the issue of incentive options, the independent consultant considered similar plans and remuneration packages implemented by the Company's peers;

- (r) Mr Edwards declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that Mr Edwards is to be granted Related Party Options in the Company, should Resolution 4 be passed. However, in respect of Resolutions 5, Mr Edwards recommends that Shareholders vote in favour of Resolution 5 for the following reasons:
  - (i) the grant of Related Party Options to the Related Party, in particular, the vesting conditions of the Related Party Options, will align the interests of the Related Party with those of Shareholders;
  - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Party; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (s) Mr Everist declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that Mr Everist is to be granted Related Party Options in the Company should Resolution 5 be passed. However, in respect of Resolution 4, Mr Everist recommends that Shareholders vote in favour of Resolution 4 for the reasons set out in paragraph (r);
- (t) with the exception of Messrs Edwards and Everist, no other Director has a personal interest in the outcome of Resolutions 4 and 5;
- (u) Mr Ostergaard recommends that Shareholders vote in favour of Resolutions 4 and 5, for the reasons set out in paragraph (r)(ii);
- (v) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted, vesting conditions and expiry date of those Related Party Options; and
- (w) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolutions 4 and 5.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the ZEPO's to Messrs Edwards and Everist (or their nominees) as approval



is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of ZEPO's to Messrs Edwards and Everist (or their nominees) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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**6. RESOLUTIONS 6 – APPROVAL FOR THE ISSUE OF RELATED PARTY OPTIONS TO MR OSTERGAARD (OR HIS NOMINEE) UNDER THE NORWOOD SYSTEMS EMPLOYEE OPTION PLAN**

**6.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue up to 60,000,000 Options comprising the following:

- (a) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twelve (12) months from the date of issue and expiring on or before three (3) years from the date of issue;
- (b) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twenty-four (24) months from the date of issue and expiring on or before three (3) years from the date of issue; and
- (c) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting thirty-six (36) months from the date of issue and expiring on or before four (4) years from the date of issue,

(together, the **Related Party Options**) to Mr Paul Ostergaard (or his nominee) on the terms and conditions set out below.

Resolution 6 seeks Shareholder approval for the grant of the Related Party Options to Mr Ostergaard (or his nominee).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Related Party Options constitutes giving a financial benefit and Mr Ostergaard is a related party of the Company by virtue of being the Managing Director.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is being sought for the issue of Related Party Options to Mr Ostergaard.

## 6.2 Technical information required by Chapter 2E of the Corporations Act and ASX Listing Rule 10.14

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of Related Party Options:

- (a) the Related Party Options will be granted to the Managing Director, Mr Ostergaard (or his nominee);
- (b) the maximum number of Related Party Options to be issued is up to 60,000,000 Options, comprising the following:
  - (i) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twelve (12) months from the date of issue and expiring on or before three (3) years from the date of issue;
  - (ii) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twenty-four (24) months from the date of issue and expiring on or before three (3) years from the date of issue; and
  - (iii) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting thirty-six (36) months from the date of issue and expiring on or before four (4) years from the date of issue;
- (c) of the Related Party Options, up to:
  - (i) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twelve (12) months from date of issue and expiring on or before three (3) years from the date of issue and will be issued on the terms and conditions set out in Item 1 of Schedule 3 and Schedule 4;
  - (ii) 20,000,000 Options exercisable at a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting twenty-four (24) months from date of issue and expiring on or before three (3) years from the date of issue and will be issued on the terms and conditions set out in Item 2 of Schedule 3 and Schedule 4;
  - (iii) 20,000,000 Options exercisable a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM, vesting thirty-six (36) months from date of issue and expiring on or before four (4) years from the date of issue and will be issued on the terms and conditions set out in Item 3 of Schedule 3 and Schedule 4;

- (d) the grant of Related Party Options constitutes giving a financial benefit and Mr Ostergaard is a related party of the Company by virtue of being the Managing Director;
- (e) the Related Party Options will be granted to Mr Ostergaard no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (f) the Related Party Options will be granted for nil cash consideration and accordingly no funds will be raised;
- (g) the following Options have previously been issued under the Plan:
  - (i) 1,250,000 ZEPO's to Mr Michael Edwards on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019);
  - (ii) 1,250,000 ZEPO's to Mr Giles Everist on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019);
  - (iii) 1,687,500 ZEPO's to Mr Amit Pau on or about 15 December 2017 (vesting after a period of 12 months, expiring on 15 December 2019)<sup>1</sup>; and
  - (iv) 2,500,000 Options to Mr Paul Ostergaard on or about 15 December 2017 (with an exercise price of \$0.023 each, exercisable on or before 15 December 2020); and
  - (v) 2,500,000 Options to Mr Paul Ostergaard on or about 15 December 2017 (with an exercise price of \$0.028 each, exercisable on or before 15 December 2020);

**Notes:**

<sup>1</sup> Mr Pau has resigned from the Company (refer to ASX announcement "Director Resignation" dated 18 September 2018), but continues to have a relevant interest in the above ZEPO's (refer to ASX announcement "Appendix 3Z – Final Director's Interest Notice" dated 18 September 2018).

<sup>2</sup> All Options listed under section 6.2 (g) were issued for nil consideration.

- (h) Mr Paul Ostergaard, Mr Mike Edwards and Mr Giles Everist are directors of the Company and eligible participants under the Norwood Systems Employee Option Plan (**Eligible Participants**);
- (i) Mr Ostergaard has not entered into any loans with the Company in relation to this Resolution 6;
- (j) the terms and conditions of the Related Party Options are set out in Schedule 3 and Schedule 4;
- (k) the value of the Related Party Options and the pricing methodology is set out in Schedule 5;
- (l) the relevant interests of Mr Ostergaard in the securities of the Company are set out below:

Related Party	Shares	Options <sup>1</sup>
Paul Ostergaard	201,723,481	24,000,000

**Notes:**

- <sup>1</sup> 9,500,000 Options exercisable at \$0.198 each on or before 27 November 2020.
- <sup>1</sup> 9,500,000 Options exercisable at \$0.297 each on or before 27 November 2020.
- <sup>1</sup> 2,500,000 Options exercisable at \$0.023 each on or before 15 December 2020.
- <sup>1</sup> 2,500,000 Options exercisable at \$0.028 each on or before 15 December 2020.

- (m) the remuneration and emoluments from the Company to Mr Ostergaard for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	2018	2017
Paul Ostergaard	\$313,170	\$191,625

- (n) if the Related Party Options granted to Mr Ostergaard are exercised, a total of 60,000,000 Shares would be issued. This will increase the number of Shares on issue from 1,568,781,482 to 1,628,781,482 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 3.82%.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If, at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

- (o) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	2.9 cents	1 December 2017
Lowest	0.4 cents	24 July 2018
Last	0.5 cents	11 October 2018

- (p) the primary purpose of the grant of the Related Party Options to Mr Ostergaard is to provide a performance linked incentive component in the remuneration package for Mr Ostergaard to motivate and reward the performance of the Mr Ostergaard in his role as Managing Director;

- (q) the Company previously engaged an independent remuneration consultant to advise the Company of a suitable quantum and structure of an incentive-based remuneration plan for management and executive and non-executive members of the Board. The independent consultant advised that the issue of related party incentive options forms part of a fair and reasonable remuneration package designed to include the provision for rewards for generating medium to long term shareholder value. In considering the issue of incentive options, the

independent consultant considered similar plans and remuneration packages implemented by the Company's peers;

- (r) Mr Ostergaard declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that Mr Ostergaard is to be granted Related Party Options in the Company should Resolution 6 be passed. However, in respect of Resolution 6, the remaining Directors recommend that Shareholders vote in favour of Resolution 6 for the following reasons:
  - (i) the grant of Related Party Options to Mr Ostergaard, will align the interests of Mr Ostergaard with those of Shareholders;
  - (ii) the grant of the Related Party Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Ostergaard; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Options upon the terms proposed;
- (s) with the exception of Mr Ostergaard, no other Director has a personal interest in the outcome of Resolution 6;
- (t) in forming their recommendations, the Board (other than Mr Ostergaard) have considered the experience of Mr Ostergaard, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Related Party Options; and
- (u) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the grant of Related Party Options to Mr Ostergaard (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## GLOSSARY

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**\$** means Australian dollars.

**10% Placement Capacity** has the meaning given in Section 4.1.

**Annual General Meeting** or **Meeting** or **AGM** means the meeting convened by the Notice.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Norwood Systems Limited (ACN 062 959 540).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Plan** means the employee option plan as approved at the meeting of Shareholders held on 28 November 2017.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Variable A** means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

**WST** means Western Standard Time as observed in Perth, Western Australia.

**SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 28 NOVEMBER 2017**

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
Issue – 15 December 2017	4,187,500	Unquoted Options <sup>3</sup>	Issued to Executive and Non-Executive Directors as per Shareholder approval received at the Annual General Meeting held on 28 November 2017	Nil cash consideration as the Options were issued to provide a performance linked incentive component in the remuneration package for the recipients to motivate and reward their performance in their respective roles as Directors	Non-cash  Issued to provide a performance linked incentive component in the remuneration package for the recipients to motivate and reward their performance in their respective roles as Directors  Current value <sup>8</sup> = \$83,750
Appendix 3B – 15 December 2017	2,500,000	Unquoted Options <sup>4</sup>	Mr Paul Ostergaard (or his nominee) as per Shareholder approval received at the Annual General Meeting held on 28 November 2017	Nil cash consideration as the Options were issued to provide a performance linked incentive component in the remuneration package for Mr Ostergaard to motivate and reward his performance in his role as Managing Director	Non-cash  Issued to provide a performance linked incentive component in the remuneration package for Mr Ostergaard to motivate and reward his performance in his role as Managing Director  Current value <sup>8</sup> = \$32,358
	2,500,000	Unquoted Options <sup>5</sup>	Mr Paul Ostergaard (or his nominee) as per Shareholder approval received at the Annual General Meeting held on 28 November 2017	Nil cash consideration as the Options were issued to provide a performance linked incentive component in the remuneration package for Mr Ostergaard to motivate and reward his performance in his role as Managing Director	Non-cash  Issued to provide a performance linked incentive component in the remuneration package for Mr Ostergaard to motivate and reward his performance in his role as Managing Director  Current value <sup>8</sup> = \$30,637
Issue – 21 March 2018	80,000,000	Shares <sup>2</sup>	Issued to sophisticated and professional investors pursuant to a placement announced on 14 March 2018	Issue Price: \$0.0125 (discount of 23.3% to the 30-day VWAP of \$0.0163)	Cash  Amount raised = \$1,000,000  Amount spent = \$1,000,000  Use of funds:  Sales and marketing activities, general working capital and pursuing the pipeline opportunities recently outlined at that time, across the Company's key target segments, as announced on 14 March 2018.
Appendix 3B – 21 March 2018	2,000,000	Shares <sup>2</sup>	Providers of services to the Company	Nil cash consideration as 2,000,000 Shares were issued in lieu of cash payment for consulting services at an agreed share price of \$0.0125	Non-cash  As consideration for services provided to the Company  Current value <sup>8</sup> = \$10,000



Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
Issue – 27 April 2018 and 30 April 2018  Appendix 3B – 30 April 2018	48,560,000	Shares <sup>2</sup>	Issued pursuant to valid applications received in respect of the underwritten Share Purchase Plan announced on 14 March 2018	Issue Price: \$0.0125 (discount of 23.3% to the 30-day VWAP of \$0.0163 as at the time of announcement of the Share Purchase Plan)	Cash Amount raised = \$607,000 Amount spent = \$607,000 Use of funds: Sales and marketing activities, general working capital and pursuing the pipeline opportunities recently outlined at that time, across the Company's key target segments, as announced on 14 March 2018.
	31,440,000	Shares <sup>2</sup>	Shortfall of underwritten Share Purchase Plan announced on 14 March 2018	Issue Price: \$0.0125 (discount of 23.3% to the 30-day VWAP of \$0.0163 as at the time of announcement of the Share Purchase Plan)	Cash Amount raised = \$393,000 Amount spent = \$393,000 Use of funds: Sales and marketing activities, general working capital and pursuing the pipeline opportunities recently outlined at that time, across the Company's key target segments, as announced on 14 March 2018.
15 June 2018	98	Shares	Issued to performance shareholders.	Issue Price: \$nil	Non-cash Under the terms of the performance shares, as the milestone was not achieved prior to the expiry date, the total performance shares held by each holder was consolidated to one performance share and then converted to one Share. Current value <sup>8</sup> = \$0.49
Issue – 2 November 2018  Appendix 3B – 26 September 2018	241,350,997	Shares <sup>2</sup>	Shares offered under renounceable entitlement issue of 2 new Shares for every 11 Shares held by eligible shareholders at the record date	Issue Price: \$0.005 (discount of 16.7% to the last traded share price of \$0.006 per Share)	Cash Amount raised = \$1,206,755 Amount spent = \$0 Use of funds: Sales and marketing activities, product development and general working capital. Amount remaining = \$1,206,755 Proposed use of remaining funds <sup>7</sup> : Sales and marketing activities, product development and general working capital.
	241,350,997	Quoted	Issued as free-attaching	Nil cash consideration as the Options were	Non-cash

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
		Options <sup>6</sup>	Options to each new Share issued under the renounceable entitlement issue as detailed in the Entitlement Issue Prospectus dated 26 September 2018	free-attaching to the Shares issued under the above renounceable entitlement issue on a 1 for 1 basis	Free-attaching to Shares issued pursuant to the above renounceable entitlement issue on a 1 for 1 basis  Current value <sup>8</sup> = \$241,351
	20,000,000	Quoted Options <sup>6</sup>	Pinnacle Corporate Finance Pty Ltd	Nil cash consideration as the Options were issued as part consideration for the Lead Manager and Underwriting services provided in respect of the above renounceable entitlement issue	Non-cash  Issued as part consideration for the Lead Manager and Underwriting services provided in respect of the above renounceable entitlement issue  Current value <sup>10</sup> = \$20,000

**Notes:**

- Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- Fully paid ordinary shares in the capital of the Company, ASX Code: NOR (terms are set out in the Constitution).
- Unquoted Options, exercisable at \$0 each, on or before 15 December 2019, vesting 12 months after the date of issue. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 28 November 2017.
- Unquoted Options, exercisable at \$0.023 each, on or before 15 December 2020. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 28 November 2017.
- Unquoted Options, exercisable at \$0.028 each, on or before 15 December 2020. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 28 November 2017.
- Quoted Options, exercisable at \$0.008 each, on or before 31 October 2020, ASX Code: NOROA.
- This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
- In respect of quoted Equity Securities, the value of Shares is based on the closing price of the Shares (\$0.005) on the ASX on 11 October 2018 and the value of quoted Options is based on the closing price of rights being traded (ASX Code: NORR) (\$0.001) on the ASX on 11 October 2018. In respect of unquoted Equity Securities, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

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## SCHEDULE 2 – TERMS AND CONDITIONS OF THE ZEPO'S

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(a) **Entitlement**

Subject to paragraph (d), each Option entitles the holder to receive one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (h), the amount payable upon exercise of each Option will be Nil (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is two (2) years from the date of issue of the Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Vesting Conditions**

The Options shall automatically vest twelve (12) months from the date of issue of the Options.

(e) **Automatic Exercise**

The Options will automatically exercise at any time prior to the Expiry Date upon satisfaction of the Vesting Conditions.

(f) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case, no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Options;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (f)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being

ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(g) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(h) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(j) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(k) **Transfer of ZEPO's**

The ZEPO's are non-transferrable.

(l) **Subdivision 83AC**

Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the ZEPO's.

(m) **Plan**

The terms of the ZEPO's are supplemented by the terms of the Incentive Option Plan.

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## SCHEDULE 3 – SPECIFIC TERMS AND CONDITIONS OF OPTIONS

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### Item 1 – Terms and Conditions of Options

(a) **Exercise Price**

Subject to paragraph (g) of Schedule 4, the amount payable upon exercise of each Option will be a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM (**Exercise Price**).

(b) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is three (3) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall automatically vest twelve (12) months from the date of issue of the Options.

(d) **Other Terms and Conditions**

The Options will otherwise be issued on the terms and conditions as set out in Schedule 4.

### Item 2 – Terms and Conditions of Options

(a) **Exercise Price**

Subject to paragraph (g) of Schedule 4, the amount payable upon exercise of each Option will be a 100% premium to the share price calculated using a 60-day Volume Weighted Average Price as at the date of the Company's 2018 AGM (**Exercise Price**).

(b) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is three (3) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall automatically vest twenty-four (24) months from the date of issue of the Options.

(d) **Other Terms and Conditions**

The Options will otherwise be issued on the terms and conditions as set out in Schedule 4.

### Item 3 – Terms and Conditions of Options

(a) **Exercise Price**

Subject to paragraph (g) of Schedule 4, the amount payable upon exercise of each Option will be a 100% premium to the share price calculated using a 60-

day Volume Weighted Average Price as at the date of the Company's 2018 AGM (**Exercise Price**).

(b) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date that is four (4) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

The Options shall automatically vest thirty-six (36) months from the date of issue of the Options.

(d) **Other Terms and Conditions**

The Options will otherwise be issued on the terms and conditions as set out in Schedule 4.

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**SCHEDULE 4 – TERMS AND CONDITIONS OF OPTIONS TO MR OSTERGAARD**

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(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(c) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(d) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(e) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case, no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being

ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(f) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(g) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(h) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(i) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(j) **Subdivision 83A-C**

Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to the Options.

(k) **Transfer of Options**

The Options are not transferrable.

(l) **Plan**

The terms of the Options are supplemented by the terms of the Incentive Option Plan.



## SCHEDULE 5 – VALUATION OF RELATED PARTY OPTIONS – PAUL OSTERGAARD

The Related Party Options to be issued to Mr Paul Ostergaard pursuant to Resolution 6, have been valued by internal management.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:


<b>Assumptions:</b>		
Valuation date	11 October 2018	
Market price of Shares	0.56 cents (60-day VWAP)	
Exercise price	1.1 cents	
Expiry date (length of time from issue)	3 years for the first two tranches of 20,000,000 per tranche and 4 years for the third tranche of 20,000,000	
Risk free interest rate	2.25%	
Volatility	100%	
<b>Indicative value per Related Party Option</b>	0.28 cents (\$0.0028)	0.33 cents (\$0.0033)
<b>Total Value of Related Party Options</b>	\$110,047	\$65,539
- 20,000,000 exercisable at 1.1 cents (3-year expiry)	\$0.0028	\$55,023
- 20,000,000 exercisable at 1.1 cents (3-year expiry)	\$0.0028	\$55,023
- 20,000,000 exercisable at 1.1 cents (4-year expiry)	\$0.0033	\$65,539

Notes:

- For valuation purposes we have used the 60-day VWAP as at 11 October 2018 for the Market Price and Exercise Price. The actual valuation may vary as it will be recalculated as at the date of the 2018 AGM.
- The valuation ranges noted above are not necessarily the market prices that the Related Party Options could be traded at and they are not automatically the market prices for taxation purposes.


**LODGE YOUR VOTE**

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
Norwood Systems Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



**X99999999999**

**PROXY FORM**

I/We being a member(s) of Norwood Systems Limited and entitled to attend and vote hereby appoint:

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm (WST) on Thursday, 29 November 2018 at The University Club, Hackett Drive, Crawley WA 6009, Australia (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolutions 1, 4, 5 & 6:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 4, 5 & 6, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

**VOTING DIRECTIONS**

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .**

**Resolutions**

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval for the Issue of Options to Mr Giles Everist (or his Nominee) under the Norwood Systems Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-Election of Director – Giles Everist	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval for the Issue of Options to Mr Paul Ostergaard (or his Nominee) under the Norwood Systems Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval for the Issue of Options to Mr Michael Edwards (or his Nominee) under the Norwood Systems Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)  Joint Shareholder 2 (Individual)  Joint Shareholder 3 (Individual)   
Sole Director and Sole Company Secretary  Director/Company Secretary (Delete one)  Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (WST) on Tuesday, 27 November 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged by:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Norwood Systems Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)



### COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**