

ASX ANNOUNCEMENT

25 July 2016

Balance Sheet and Budget Update for FY17

Norwood Systems Limited (“Norwood” or “the Company”) (ASX:NOR) is pleased to provide an update on the Company Balance sheet and recently finalised planned expenditure budgets for the remainder of the Financial Year ending 30 June 2017. Based upon a “base case” scenario, planned expenditure budgets will see the Company’s operating plans, including R&D and corporate sales efforts, funded out until the end of the financial year with existing and projected financial resources.

The “base case” scenario assumes total quarterly expenditures of just under \$1.2million, reflective of the Company’s current run-rate, and significantly does not assume any material receipts from customers. The Company is also budgeting to receive an R&D tax credit refund of approximately \$700k prior to the end of the year under the base case.

Given the current strong sales pipeline for Corona, and continuing telco discussions, the Company is of the opinion that current “base case” assumption of no material receipts from customers is likely to be actually a “worst case” set of assumptions, and remains confident of sales progress in the short term. The planned “base case” assumption also devotes the necessary resources to pursue all of Norwood’s R&D objectives for the year, including World Wi-Fi and World Message.

Whilst the Company has been careful to take into account a broad range of expected events in preparing the planned expenditure budgets, shareholders should be aware that the circumstances of the Company or unforeseen events may impact actual expenditure as it occurs. The Company will update shareholders on actual progress against planned expenditure budgets with each quarterly cash flow report.

The Company also advises that the Priority Offer under the Prospectus dated 15 June 2016 closed at 5pm (WST) on Friday 22 July 2016. Given market conditions, the minimum subscription amount under the Priority Offer of \$1 million was not reached and all application monies will be returned to Priority Offer applicants.

Whilst the Norwood Board is disappointed that market conditions, particularly post ‘Brexit’ which occurred right at the commencement of the Priority Offer, did not support sufficient shareholders to take up in the Priority Offer, as detailed above following the raising of \$3.5 million from the Placement Offer the Company has sufficient capital to meet its product development objectives for the coming financial year.

Norwood’s portfolio of “Over-the-Top” (OTT) Apps and platforms continues to offer significant monetisation potential as the Company works to deliver telco services to consumers and businesses. As at 30 June (ie. post the Placement Offer, the Company had \$3.91 million in cash on hand. Company management is continuing discussions with potential mobile operator partners around white label / OTT opportunities.

Norwood Systems’ CEO and Founder, Paul Ostergaard, commented:

“I am very pleased to confirm that our planned sales activities and R&D objectives for the Financial Year ahead are fully supported, even on a very conservative set of assumptions. Our efforts will be focused on seeking to ensure we of course exceed our conservative ‘base case’ assumptions through short and long term sales success.”

Whilst we are disappointed that market conditions were not conducive to shareholders via the Priority Offer being able to take up the same opportunity as Placement participants, we are confident in the current and expected financial resources of the Company.”

The Placement Offer under the Prospectus dated 15 June 2016 has previously closed and Placement shares and attaching options have been issued as announced to the ASX on 23 June 2016, and therefore are not affected by the return of Priority Offer applications. The Company is still investigating the possibility of listing the free attaching options which were issued pursuant to the Placement Offer.

Following the closing of the Priority Offer, the capital structure of the Company is now as follows:-

Number	Class
968,779,576	Ordinary shares (218,654,678 ordinary shares are subject to escrow)
78,869,761	Unlisted class A performance shares
78,869,761	Unlisted class B performance shares
3,927,774	Unlisted class A performance rights
3,927,774	Unlisted class B performance rights
2,000,000	Unlisted performance shares
33,333,333	Unlisted options, exercisable at \$0.055 each to 15 July 2018 (Placement Offer Options)
95,974,485	Unlisted options, various exercise prices and expiry dates (refer to the Appendix 3B lodged with ASX on 15 June 2016 for details)

Any questions regarding the return of Priority Offer application monies should be directed to the Company’s share register, Link Market Services on 1300 551 242.

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