



NORWOOD SYSTEMS LIMITED

ACN 062 959 540

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at Ground Floor, 16 Ord Street, West Perth, Western Australia on Tuesday 29 December 2015 at 10.00 a.m. (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9482 0560.

NORWOOD SYSTEMS LIMITED

ACN 062 959 540

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Norwood Systems Limited (**Company**) will be held at Ground Floor, 16 Ord Street, West Perth, Western Australia on Tuesday, 29 December 2015 at 10 a.m. (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form forms part of this Notice.

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 as Shareholders on 27 December 2015 at 10 a.m. (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 10.

AGENDA

1. Resolution 1 – Ratification of prior issue of Placement Shares

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

*"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue by the Company of 70,000,000 Shares (**Placement Shares**) at an issue price of \$0.08 each on the terms and conditions set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who participated in the Placement and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

2. Resolution 2 – Authority to issue Shares pursuant to the Share Purchase Plan

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

"That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders authorise the Company to issue up to 18,750,000 Shares at an issue price of \$0.08 each on the terms and conditions set out in the Explanatory Memorandum."

A voting exclusion statement has not been included as the Company has been granted a waiver of Listing Rule 7.3.8.

3. Resolution 3 – Authority to issue Advisor Shares

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

*"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders authorise the Company to issue up to 4,000,000 Shares (**Advisor Shares**) to Azure Capital (and/or its nominee) on the terms and conditions as set out in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Azure Capital and its nominees and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

4. Resolution 4 – Authority to grant Director Options to Mr 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 Listing Rule 10.11, and for all other purposes, Shareholders authorise the Company to grant 2,000,000 Director Options to Mr Giles Everist (and/or his nominees) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Giles Everist and his nominee and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

5. Resolution 5 – Authority to issue Performance Rights

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

"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders authorise the Company to issue 3,927,774 Class A Performance Rights and 3,927,774 Class B Performance Rights on the terms and conditions set out in the Explanatory Notes."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

6. Resolution 6 – Ratification of prior grant of Advisor Options

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

"That, for the purpose of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior grant of 500,000 Advisor Options to Taylor Collison on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Taylor Collison and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

Dated 27 November 2015

BY ORDER OF THE BOARD

Mr Brett Tucker
Company Secretary
Norwood Systems Limited

NORWOOD SYSTEMS LIMITED

ACN 062 959 540

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Ground Floor, 16 Ord Street, West Perth, Western Australia on Tuesday, 29 December 2015 at 10 a.m. (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.2 Voting Prohibition by Proxy Holders

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote on the basis of that appointment on Resolutions 4 and 5 if:

- (a) the person is either:

- (i) a member of the Key Management Personnel of the Company; 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 Resolutions 4 and 5.

However, the prohibition does not apply if:

- (a) the proxy is the Chairman; and
- (b) the appointment expressly authorises the Chairman to exercise the proxy even if Resolutions 4 and 5 are connected directly or indirectly with remuneration of a member of the Key Management Personnel of the Company.

3. Background

The Company announced on 18 November 2015 that it would seek to raise up to \$7,100,000 to fund the Company's activities through:

- (a) the placement of Shares each at an issue price of \$0.08, to raise \$5,600,000 (before costs); and
 - (b) a share purchase plan through an offering to eligible shareholders to apply for Shares at \$0.08 to raise up to \$1,500,000 (before costs),
- (together the **Capital Raising**).

Resolutions 1 and 2 contained in this Notice relate to the Capital Raising as follows:

- (a) Resolution 1 seeks ratification of the prior issue of Shares under the Placement; and
- (b) Resolution 2 seeks approval for the issue of Shares pursuant to the Share Purchase Plan.

Details on each of these Resolutions are contained below.

4. Resolution 1 – Ratification of prior issue of Placement Shares

4.1 General

On 24 November 2015 the Company completed a placement of 70,000,000 Shares at \$0.08 each to raise \$5,600,000 before costs (**Placement**). The Placement Shares were issued to institutional and sophisticated investors. The Placement Shares were issued without shareholder approval under Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification for the issue of the Placement Shares pursuant to Listing Rule 7.4.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides an exception to Listing Rule 7.1 that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) the issue of those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 1 is an ordinary resolution.

4.2 Specific information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, information regarding the issue of the Placement Shares is provided as follows:

- (a) 70,000,000 Shares were issued by the Company;
- (b) The Placement Shares were issued at \$0.08 per Share;
- (c) The Shares issued are all fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares;
- (d) The Placement Shares were issued to institutional and sophisticated investors, none of who are related parties of the Company;
- (e) The funds raised from the issue of the Placement Shares will be used by the Company to fund further research and development of the Company's technology products, applied to marketing & sales efforts, as well as administration and other working capital requirements; and
- (f) A voting exclusion statement is included in the notice.

5. Resolution 2 – Authority to issue Shares pursuant to the Share Purchase Plan

5.1 General

As announced to the ASX on 18 November 2015, the Company intends to offer Shareholders the opportunity to participate in a share purchase plan pursuant to which each eligible shareholder may apply for Shares at \$0.08 each (**Share Purchase Plan**).

The Share Purchase Plan provides all eligible Shareholders the opportunity to participate on the same terms and conditions as the Placement, and will raise up to \$1,500,000 (before costs).

The funds raised from the Share Purchase Plan will be used by the Company to fund further research and development of the Companies technology products, applied to the marketing and sales as well as administration and other working capital requirements.

Exception 15 of Listing Rule 7.2 provides an exception to Listing Rule 7.1 for the issue of securities pursuant to a share purchase plan. However, for this exception to apply, the issue price of the Shares must be greater than 80% of the volume weighted average market price (**VWAP**) of Shares calculated over the last 5 days on which sales in Shares were recorded before the day the Share Purchase Plan was announced.

The VWAP of Shares for the last 5 days on which sales in Shares were recorded prior to the date of announcement of the Share Purchase Plan (being 18 November 2015) is \$0.104, with 80% of this volume weighted market price being \$0.083. The price per Share under the Share Purchase Plan is \$0.08, which is 76.9% of the relevant VWAP. Accordingly the exception 15 of Listing Rule 7.2 does not apply to the issue of Shares under the Share Purchase Plan and Shareholder approval is required.

Resolution 2 is an ordinary resolution.

5.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the issue of the Shares pursuant to the Share Purchase Plan is provided as follows:

- (a) The maximum number of Shares that the Company may issue pursuant to Resolution 2 is 18,750,000 Shares.
- (b) The Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
- (c) The Shares will be issued at an issue price of \$0.08 per Share.
- (d) The Shares will be issued to Eligible Shareholders of the Company (as defined in the Prospectus for the Share Purchase Plan).
- (e) The Shares will comprise fully paid ordinary shares of the Company ranking equally in all respects with the Company existing Shares.
- (f) The funds raised from the issue of the Shares pursuant to the Share Purchase will be used by the Company to fund further research and development of the Companies technology products, applied to marketing & sales efforts, as well as administration and other working capital requirements.
- (g) The issue of the Shares may occur progressively subject to Section 5.2(b).
- (h) The Company has been granted a waiver of Listing Rule 7.3.8 to permit Resolution 2 to not include a voting exclusion statement that excludes any person who may participate in the Share Purchase Plan.

6. Resolution 3 – Authority to issue Advisor Shares

6.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 4,000,000 Shares (**Advisor Shares**) to Azure Capital as consideration for corporate advisory services performed under a mandate with the Company. The Advisor Shares are being issued to provide cost effective consideration for ongoing corporate advisory services from Azure Capital.

Resolution 3 is an ordinary resolution.

6.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the issue of the Advisor Shares is provided as follows:

- (a) The maximum number of Shares that the Company may issue pursuant to Resolution 3 is 4,000,000 Shares;
 - (b) The Advisor Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules).
 - (c) The Advisor Shares will be issued for nil cash consideration as consideration for corporate advisory services performed under a mandate with the Company. Accordingly no funds will be raised from the issue of the Advisor Shares;
 - (d) The Advisor Shares will comprise fully paid ordinary shares of the Company ranking equally in all respects with the Company existing Shares.
 - (e) The Advisor Shares will be issued to Azure Capital and/or its nominees.
 - (f) A voting exclusion statement is included in the Notice.
-

7. Resolution 4 – Authority to grant Director Options to Mr Giles Everist

8.1 General

Pursuant to Resolution 4, the Company proposes to issue a total of 2,000,000 Director Options to Mr Giles Everist, and/or his nominees.

The primary purpose of the grant of the Director Options is to provide a performance linked incentive component in Mr Everist's remuneration packages to assist the Company in attracting, retaining, motivating and rewarding performance, and to align the interest of Mr Everist with those of Shareholders. The Board believes that the number of Director Options to be granted to Mr Everist is commensurate with the future value to be provided to the Company.

8.2 Related Party Approval – Chapter 2E of the Corporations Act

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.

Mr Giles Everist is a related party of the Company by virtue of being a Director of the Company.

An exception to the prohibition in Chapter 2E of the Corporations Act is if the benefit is remuneration to an officer of the Company that would be reasonable given the circumstances of the Company and the officer's circumstances (including the responsibilities of the officer).

The Company is not seeking Shareholder approval for the financial benefit covered by Resolution 4 as the Board has resolved that the financial benefit to be provided to Mr Everist through the

issue of the Director Options comes within the reasonable remuneration exemption to Chapter 2E of the Corporations Act 2001 (Cth).

The Board (other than Mr Giles Everist) supports the grant of Director Options to Mr Giles Everist.

8.3 Related Party Approval – Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies. It is the view of the Directors that none of the exceptions set out in Listing Rule 10.12 apply in the current circumstances.

8.4 Specific information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, information regarding the grant of the Director Options is provided as follows:

- (a) The Director Options will be issued to Mr Giles Everist, and/or his nominees.
- (b) The maximum number of Director Options the Company can grant to Mr Giles Everist and/or his nominees under Resolution 4 is as 2,000,000.
- (c) The Company will grant the Director Options to Mr Giles Everist and/or his nominees no later than one month after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Director Options will be granted on one date.
- (d) The Director Options will be granted for nil cash consideration, accordingly no funds will be raised by the issue.
- (e) The Director Options are each exercisable at 140% of the 5 day VWAP prior to the date of issue on or before the date that is three years from the date of grant and otherwise have the terms and conditions set out in Schedule 1.
- (f) A voting exclusion statement is included in the Notice.

Approval pursuant to Listing Rule 7.1 is not required in order for the Company to issue the Director Options as approval is being obtained under Listing Rule 10.11. Accordingly, the grant of the Director Options will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

8. Resolution 5 – Authority to issue Performance Rights

8.1 General

Resolutions 5 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the 3,927,774 Class A Performance Rights, and 3,927,774 Class B Performance Rights to Mr David Wilson, a senior executive of the Company, and/or his nominees.

The effect of Resolution 5 will be to allow the Company to issue the Performance Rights during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Performance Rights to be approved pursuant to Resolution 5 will be issued for nil cash consideration. The Performance Rights are being issued as an incentive to retain the services of Mr Wilson and to provide cost effective remuneration for his ongoing commitment and contribution to the Company.

8.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the issue of the Performance Rights is provided as follows:

- (a) The 3,927,774 Class A Performance Rights, and 3,927,774 Class B Performance Rights to be issued to Mr David Wilson (and/or his nominees).
- (b) Mr David Wilson (or his nominees) is not a related party of the Company.
- (c) The Company will issue the Performance Rights no later than 3 months after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Performance Rights will be issued on one date.
- (d) The Performance Rights will be issued for nil cash consideration, accordingly no funds will be raised by the issue.
- (e) The Performance Rights will have the terms and conditions set out in Schedule 2.
- (f) A voting exclusion statement is included in the Notice.

9. Resolution 6 – Ratification of prior grant of Advisor Options

9.1 General

The Company has issued 500,000 Advisor Options to a nominee of Taylor Collison as consideration for corporate advisory services provided to the Company.

The Advisor Options were issued without shareholder approval under Listing Rule 7.1.

Resolution 6 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the grant of the Advisor Options.

A summary of Listing Rules 7.1 and 7.4 is provided in Section 4.1

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 6 is an ordinary Resolution.

9.2 Specific information required by Listing Rule 7.4

For the purposes of Listing Rule 7.5, information regarding the grant of the Advisor Options is provided as follows:

- (a) 500,000 Advisor Options were granted by the Company.

- (b) The Advisor Options were granted as consideration for corporate advisory services provided by Taylor Collison. Accordingly no funds were raised from the grant of the Advisor Options.
- (c) The Advisor Options were granted to Taylor Collison.
- (d) The Advisor Options are each exercisable at \$0.02 on or before 27 November 2018 and otherwise have the terms and conditions set out in Schedule 1.
- (e) A voting exclusion statement is included in the Notice.

10. Definitions

\$ means Australian Dollars.

Advisor Shares has the meaning in Section 6.1

Advisor Options means an Option exercisable at \$0.02 on or before 27 November 2018 and otherwise with the terms and conditions in Schedule 1.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Azure Capital means Azure Capital Limited ACN 107 416 106.

Board means the board of Directors.

Chairman means the chairman of this Meeting.

Closely Related Party has the meaning in section 9 of the Corporations Act.

Company or **Norwood** means Norwood Systems Limited ACN 062 959 540.

Constitution means the current constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Director Option means an Option exercisable at 140% of the 5 day VWAP prior to the date of issue on or before the date that is three years from the date of grant with the terms and conditions in Schedule 1.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Key Management Personnel means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Performance Rights means Performance Rights with the terms and conditions in Schedule 2.

Placement has the meaning in Resolution 1.

Placement Shares has the meaning in Resolution 1.

Proxy Form means the proxy form attached to this Notice.

Resolution means a resolution contained in this Notice.

Section means a section contained in this Explanatory Memorandum.

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

Share Purchase Plan has the meaning in Section 5.1.

Shareholder means a shareholder of the Company.

Taylor Collison means Taylor Collison Limited ACN 008 172 450.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 1 - Terms and Conditions of Options

- (a) Each Option entitles the holder to subscribe for one ordinary fully paid share in the capital of the Company.
- (b) The Exercise Price, Expiry Date, Vesting Date and Restriction on Disposal on Options is as follows:

Class of Options	Exercise Price	Expiry Date	Vesting Date	Disposal Restriction
Director Options	140% of the 5 day VWAP prior to date of issue	3 years from date of grant	Immediately on issue	None
Advisor Options	\$0.02	27 November 2018	Immediately on issue	None

- (c) The Options will expire at 5.00pm Australian Western Standard Time on their Expiry Date. Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) Each Option gives the Option holder the right to subscribe for one ordinary share in the capital of the Company. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (e) The exercise price payable upon exercise of each Option will be as set out in the table above (**Exercise Price**).
- (f) Once the Options are exercisable the Options may be exercised at any time prior to the Expiry Date.
- (g) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
- i. a written notice of exercise of Options specifying the number of Options being exercised; and
 - ii. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) All Shares issued upon the exercise of Options will upon issue rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation by ASX of all Shares issued pursuant to the exercise of Options within 10 Business Days after the date of allotment of those Shares.
- (l) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Options, the number of Options to which an Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
- (m) 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.
- (n) There are no participating rights or entitlements inherent in the Options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to option holders at least ten (10) Business Days before the record date.

This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (o) The optionholder may nominate a nominee to receive the entitlement of Options.
- (p) Subject to the provisions of Chapter 6D of the Corporations Act and the applicable law and any Disposal Restriction relevant to the class of Option, the Options shall be freely assignable and transferable.
- (q) The Options shall vest on their applicable Vesting Date (as set out in the table above).
- (r) If the Options are subject to a Vesting Condition or Disposal Restriction, in the event of a Change in Control, the Options will vest immediately and/or the Disposal Restriction will be extinguished (as the context requires).

For the purpose of these Option terms, a Change in Control shall mean:

- i. shareholders approving a transaction for the purposes of Listing Rule 11.1:
- ii. the occurrence of:
 - 1. the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - 2. that takeover bid has become unconditional; or
- iii. the announcement by the Company that:
 - 1. shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - a. cancelled; or
 - b. transferred to a third party; and
- iv. the Court, by order, approves the proposed scheme of arrangement.

Schedule 2 – Summary of Terms and Conditions of Performance Rights

A summary of the terms and conditions of the Performance Rights are as follows:

- (a) The Performance Rights will be granted at no cost.
- (b) Upon satisfaction of certain Vesting Conditions, each Performance Right entitles the holder of the Performance Right to be issued one Share.
- (c) The Performance Rights will be granted in two tranches with the Vesting Conditions and Milestone Dates set out below:

Number	Tranche	Vesting Condition	Milestone Date
3,927,774	Class A Performance Rights	Upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period (which may be the same 12 month period or different 12 month periods for each contract).	On or before 8 December 2017 (Class A Milestone Date)
3,927,774	Class B Performance Rights	Upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000.	On or before 8 June 2018 (Class B Milestone Date)

- (d) The Performance Rights will have the following Expiry Dates:
 - (i) Class A Performance Rights will expire at 5.00 pm on the date which is 5 Business Days after the Class A Milestone Date; and
 - (ii) Class B Performance Rights will expire at 5.00 pm on the date which is 5 Business Days after the Class B Milestone Date.
- (e) The Board of the Company shall have discretion to extend a Milestone Date in circumstances that the Board (in its sole discretion) considers that unforeseen circumstances or events have caused a delay in achieving the Vesting Condition by the Milestone Date. The Board shall not be permitted to extend the Milestone Date beyond the Expiry Date of the Performance Rights.
- (f) The Board of the Company shall determine (in its sole discretion) if the Vesting Conditions are satisfied.
- (g) The Performance Rights will lapse upon the earlier to occur of the Expiry Date, failure to meet a Vesting Condition within the Milestone Date or the Performance Right lapsing in accordance with another provision in the terms and conditions of the Performance Rights.
- (h) Where the holder of the Performance Rights elects to forfeit Shares in accordance with the terms and conditions of the Performance Rights, at the Board's sole discretion:-
 - (i) the holder of the Performance Rights is deemed to have disposed of their legal and beneficial interest in those Shares for total aggregate consideration of A\$1.00; or

- (ii) the holder of the Performance Rights is deemed to have agreed to the cancellation of those Shares for total aggregate consideration of A\$1.00; or
 - (iii) the holder of the Performance Rights is deemed to have agreed to the Company buying back those Shares for total aggregate consideration of A\$1.00.
- (i) Upon cessation of employment with the Company by the holder of the Performance Rights by reason of resignation, termination for poor performance or termination for cause, the Performance Rights held by the holder or on the holder's behalf which have not vested at the time of cessation of employment will lapse or be forfeited (as the case may be), unless the Board determines otherwise.
- (j) Upon cessation of employment with the Company by the holder of the Performance Rights for any other reason other than as given at (i) above, the Board, in its discretion, may determine within 4 months of the holder of the Performance Rights ceasing employment, that some or all of the Performance Rights:-
 - (i) lapse,
 - (ii) vest,
 - (iii) are only exercisable for a proscribed period and will otherwise lapse; and/or
 - (iv) are no longer subject to some of the restrictions (including any Vesting Condition) that previously applied.
- (k) Where there is a transaction, event or state of affairs that, in the Board's opinion, is likely to result in a change of control of the Company, with control having the meaning as given in section 50AA of the Corporations Act, the Board may, in its absolute discretion, determine that all or a specified number of the holder's Performance Rights vest or cease to be subject to restrictions.
- (l) Unless the Board determines otherwise, any restrictions on dealing with the Performance Rights, being a sale, transfer, assignment, encumbrance, option, swap, or any other alienation of all or any part of the rights attaching to the Performance Right, will cease to have effect on the occurrence of a change of control event.
- (m) If a company obtains control of the Company as a result of a change of control event, subject to applicable laws and agreement between the acquiring company and the Company, any Performance Right may be cancelled and replaced with incentive securities in the acquiring company on terms and conditions to be agreed between the acquiring company and the Company.
- (n) Prior to the issue of Shares to the holder of Performance Rights upon vesting of the Performance Rights, the Board may make any adjustments it considers appropriate to the terms of a Performance Right in order to minimise or eliminate any material advantage or disadvantage to the holder of the Performance Rights resulting from a corporate action or capital reconstruction by the Company.
- (o) There are no participating right or entitlements inherent in the Performance Rights and the holder of Performance Rights will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (p) If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the number of Shares which must be issued on the exercise of a Performance Right.

- (q) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of a Performance Right will be increased by the number of Shares which the holder of the Performance Right would have received if the holder of the Performance Right had exercised the Performance Right before the record date of the bonus issue.
- (r) If there is any reorganisation of the issued share capital of the Company, the rights of the Performance Rights holder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.
- (s) The Performance Rights will not be quoted on the ASX.
- (t) The Performance Rights cannot be renounced in favour of any other person or entity.

NORWOOD SYSTEMS LIMITED

ACN 062 959 540

PROXY FORM

The Company Secretary
Norwood Systems Limited

By post or delivery:

PO Box 902
West Perth, WA, 6872
Australia

By facsimile:

(08) 9482 0505

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/We ¹ _____
of _____

being a Shareholder/Shareholders of the Company and entitled to _____
votes in the Company, hereby appoint:

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 and address of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting 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 law, as the proxy sees fit), at the Meeting of the Company to be held at Ground Floor, 16 Ord Street, West Perth on Tuesday, 29 December 2015 at 10am (WST) and at any adjournment or postponement of the Meeting and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law as the proxy sees fit).

Important for Resolutions

The Chairman intends to vote all undirected proxies in favour of all of the Resolutions. If the Chairman of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Step 2 - Instructions as to Voting on Resolutions

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Authority to issue Shares pursuant to the Share Purchase Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Authority to issue Advisor Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Authority to grant Directors Options to Mr Giles Everist	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Authority to issue Performance Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior grant of Advisor Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Resolution, 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.

The Chairman of the Meeting intends to vote all available proxies in favour of each Resolution.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

 Contact Name

 Contact Daytime Telephone

 Date
¹Insert name and address of Shareholder² Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

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

Joint Holding: where the holding is in more than one name all of the holders should sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the Meeting (WST).

Postal or delivery address: PO Box 902, West Perth, WA, 6872

Facsimile: (08) 9482 0505 if faxed from within Australia or +618 9482 0505 if faxed from outside Australia.