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(formerly Monteray Mining Group Limited)

A.C.N. 062 959 540

ANNUAL REPORT

for the year ended 30 June 2015

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This annual report covers Norwood Systems Limited (formerly Monteray Mining Group Limited), consisting of Norwood Systems Limited ("Norwood" or the "Company") and its subsidiaries.

On 8 June 2015, Norwood Systems Limited (formerly Monteray Mining Group Limited) acquired 100% of the share capital of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd). Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquires the net assets and listing status of Norwood Systems Ltd.

Accordingly the consolidated financial statements of Norwood Systems Ltd have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015. The comparative information for the 12 months ended 30 June 2014 presented in the consolidated financial statements is that of Norwood Systems (Aust) Pty Ltd as presented in its last set of year-end financial statements. Refer to note 17 for further details of the transaction.

Norwood Systems Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report is presented in Australian dollars.

The Company has the power to amend and reissue the financial report.

CORPORATE INFORMATION

Directors:

Mr Paul Ostergaard
Managing Director

Mr Michael Edwards
Non-Executive Director

Mr Amit Pau
Non-Executive Director

Company Secretary:

Mr Brett Tucker

Auditors:

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers:

ANZ Banking Group Limited
1275 Hay Street
WEST PERTH WA 6005

Registered & Principal Office:

Ground Floor, 16 Ord Street
WEST PERTH WA 6005

Telephone: + 618 9200 3505

Email: info@norwoodsystems.com
Website: www.norwoodsystems.com

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Home Securities Exchange:

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:

NOR

Share Registry:

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
PERTH WA 6000

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DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Norwood Systems Limited (formerly Monterey Mining Group Ltd) and the entities it controlled during the period for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr Paul Ostergaard, B. Eng, MBA
Managing Director from 8 June 2015

Experience and expertise

Mr Ostergaard founded Norwood Systems in June 2011 with the vision to create the world's best private cloud communications platform servicing enterprises' increasingly mobile international workforces. Mr Ostergaard is responsible for implementing Norwood's overall strategic direction, planning, and day-to-day running of the business.

Mr Ostergaard has a 25-year track record of success and innovation in the high-technology sector, having worked in senior executive roles in start-ups and large corporations across the North American, European, and Asia-Pacific regions. Prior to Norwood Systems, Mr Ostergaard founded several companies in the wireless communications sector including the original Norwood Systems Ltd, the award-winning technology pioneer in fixed mobile convergence platforms, founded in 1999.

Previously, Mr Ostergaard headed the global platform marketing strategy for a \$1 billion systems platform at 3Com Corporation, leading the platform's brand and core technology development across seven divisions and 37 product lines. During his tenure at 3Com, worldwide market share for this platform increased to an all-time peak of 35% with sales increasing and average of 50% p.a. to reach \$1.2 billion in annual revenues.

Mr Ostergaard holds a Bachelor of Electronic Engineering from the University of Western Australia and an MBA from INSEAD.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Michael Edwards, B. Bus, B. Sc
Chief Executive Officer from 1 July 2014 – 8 June 2015
Executive Director from 20 January 2015 – 8 June 2015
Non-Executive Director from 8 June 2015

Experience and expertise

Mr Edwards is a Geologist and Economist with over 20 years' experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from The University of Western Australia. He spent three years with Barclays Australia in their Corporate Finance department and then 8 years as an Exploration and Mine Geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources.

Since 2010 Mr Edwards has been consulting to numerous companies conducting project evaluations and deal structuring across a wide range of commodities and countries.

Other current directorships of ASX listed companies

Non-Executive Director – International Goldfields Ltd

Other directorships held in ASX listed companies in the last three years

Nil

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Mr Amit Pau

Non-Executive Director from 8 June 2015

Experience and expertise

Mr Pau has over 20 years of experience in the technology, media and telecommunications industries. Mr Pau has held previous corporate positions at Vodafone including as Managing Director for International Accounts and Business Markets in which role he was instrumental in creating strategic OEM partnerships with Dell, IBM, and HP.

Additionally, Mr Pau led the Divisional Units of AT&T and Global TeleSystems where he launched their e-commerce products which achieved significant scale.

Mr Pau has served on a number of listed and private board such as Vodafone Spain Radamec Plc and IOS Plc and has previously been involved in a number of IPO's and trade sales in a Director capacity.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr John Hannaford- B.Com, CA, F.Fin.

Non-Executive Director and Chairman, resigned 20 January 2015

Experience and expertise

Mr Hannaford has broad financial experience from several corporate roles in Australia, Asia and Europe with resources companies. Mr Hannaford is principal and director of Corporate Advisory firms Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialise in the provision of corporate and financial advice to junior resource companies. Mr Hannaford has also been involved with several ASX listings and has acted as Director, Company Secretary and Financial Controller to several of these companies.

Mr Hannaford graduated from the University of Western Australia with a Bachelor of Commerce degree in 1986 majoring in Finance and Economics. He qualified as a Chartered Accountant in 1990, gaining experience with the Arthur Andersen audit division in Perth and in Hong Kong. He completed a Diploma of Applied Finance and Investment with the Securities Institute of Australia and was admitted as an Associate of the Institute in 2003.

Other current directorships of ASX listed companies

Non-Executive Director – Bone Medical Limited
Non-Executive Director & Chairman – Orinoco Gold Limited

Other directorships held in ASX listed companies in the last three years

Non-Executive Director – Emerald Oil & Gas NL (appointed 14 June 2006, resigned on 16 July 2012)
Non-Executive Chairman – Pacifico Minerals Limited (formerly Jaguar Minerals Limited) (appointed 20 November 2011, resigned on 19 August 2013)

Mr Alexander John (Sandy) Barblett

Non-Executive Director, resigned 8 June 2015

Experience and expertise

Mr Barblett is a partner in the London based corporate finance company, Ironbridge Capital Partners. He has over 22 years senior management experience working with private and publicly listed companies.

Mr Barblett has worked in the UK, US and Hong Kong. He has advised companies on raising private equity and general fund raising, corporate strategy and mergers and acquisitions. Mr Barblett previously worked for Minter Ellison as a solicitor, is a member of the Australian Institute of Company Directors and is also a director of AIM listed Solo Oil plc.

Mr Barblett has a bachelor of business degree from Curtin University of Technology in Perth and a bachelor of law degree from the University of Queensland.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

Mr Andrew Habets

Non-Executive Director, resigned 8 June 2015

Experience and expertise

Mr Habets has over 25 years' experience working as a geologist in new business development, project generation and field exploration. He has a multi-disciplinary background that supports an extensive knowledge of the natural resource industry and practical and hands-on approach that supports a full spectrum of the supply chain. Mr Habets has extensive experience operating in developing countries, interfacing with government and local authorities, joint venture partners and remote communities.

Mr Habets has strong entrepreneurial skills and project generation experience in over 40 countries which has led to the successful growth and expansion of resources for many of the companies with whom he has been involved. Professional qualifications and memberships include, Fellow Royal Geographic Society, London; MAusIMM, Member Royal Society of Victoria; Member Society of Economic Geology.

Other current directorships of ASX listed companies

Nil

Other directorships held in ASX listed companies in the last three years

Nil

COMPANY SECRETARY

Mr Brett Tucker

Experience and expertise

Brett has a strong accounting background gained from experience in an international accounting practice, working in both audit and taxation. Brett has exposure to a wide range of industries with a focus on junior resource companies.

KEY MANAGEMENT PERSONNEL

Mr David Wilson, B.Sc., MBA

Chief Technology Officer from 8 June 2015

Experience and expertise

Mr Wilson has been Chief Technology Officer at Norwood since the Company was founded in 2011 and has overseen the development of the Company's award-winning technologies including the CORNONA cloud services platform and the WorldPhone application.

Mr Wilson has more than 20 years of technology and telecommunications experience, both in software development and management. Mr Wilson is an IT generalist with an insightful approach to problem-solving and a long history of creating innovative solutions to business needs.

In 2007, Mr Wilson pioneered the first ever integration of the Application Program Interfaces of Salesforce.com with Google Earth data, an achievement that was featured in several national Australian news publications.

David holds a Bachelor of Science and a Master of Business Administration from the University of Western Australia.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

During the year and following the reverse takeover of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd) the principal activity of the Group changed from exploration on its gold permits located in Burkina Faso, West Africa to the development of Norwood's global mobility and roaming solutions for international travellers.

RESULTS

The net loss attributable to members of the Group for the year ended 30 June 2015 amounted to \$5,882,956 (2014: \$1,170,081). Of the net loss incurred at 30 June 2015, \$4,512,765 relates to non-cash expenses incurred in respect of the acquisition of Norwood (Aust) Pty Ltd by Norwood Systems Ltd. The remainder of the loss relates to the operations of Norwood Systems (Aust) Pty Ltd and the overhead expenses of Norwood Systems Ltd.

DIVIDENDS

There were no dividends paid or declared during the year.

REVIEW OF OPERATIONS AND RESULTS

Operations

Reverse Takeover of Norwood Systems

On 5 May 2015 the Company announced it had successfully raised its maximum subscription of \$5.5 million as part of its agreement to acquire 100% of the issued capital of Norwood Systems (Aust) Pty Ltd, with the capital raising closing oversubscribed.

The acquisition of Norwood Systems (Aust) Pty Ltd was completed on 8 June 2015, following which Monteray Mining Group Ltd changed its name to Norwood Systems Ltd and re-commenced trading on the ASX on 16 June 2015 under ASX code "NOR."

The following Board and key management changes occurred as part of the acquisition:

- Appointment of Mr Paul Ostergaard as Managing Director on 8 June 2015;
- Appointment of Mr Amit Pau as Non-Executive Director on 8 June 2015;
- Appointment of Mr David Wilson as Chief Technology Officer on 8 June 2015;
- Appointment of Mr Michael Edwards as Non-Executive Director on 8 June 2015;
- Resignation of Mr Andrew Habets and Mr Alexander Barblett on 8 June 2015;
- Resignation of Mr John Hannaford as Non-Executive Director and Chairman on 20 January 2015.

About Norwood Systems

Norwood Systems was founded in 2011 to develop and supply the best possible global mobility and roaming solutions using Over the Top (OTT) voice technologies. The Company's breakthrough offerings, **CORONA™** and **World Phone™**, deliver the world's most advanced international fixed-line roaming solutions addressing a broad spectrum of customers, from individual business travellers all the way through to large enterprise and government clients.

CORONA is an award-winning, enterprise-class cloud services platform that integrates compatible mobile devices securely and seamlessly with the organisation's existing Unified Communication or PBX networks, independent of their location.

World Phone was officially launched by the Company in July 2015 and is an award-winning, revolutionary new communications App, delivering effortless "shared economy" consumer access to leading fixed-line network service providers around the world, providing unparalleled local access to high-quality voice networks in more than 90 countries. **World Phone** provides business travellers with lower-cost per-minute calling, clearer audio and novel features such as a frictionless calling experience and easy in-app provisioning of local numbers when travelling.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

Norwood Developments

Since the Company re-commenced ASX trading on 16 June 2015 as Norwood Systems Ltd several key developments have been announced.

On 18 June 2015, the Company announced the signing of the first paying enterprise customers for its **CORONA** platform, with both Eni Australia and The Griffin Coal Mining Company signing on to provide **CORONA** services to their local Australian and visiting staff. These new agreement with sophisticated enterprise clients follow an extensive due diligence process and therefore provide strong technological and commercial validation of the **CORONA** platform. Further negotiations to deploy **CORONA** at additional blue chip corporate are well advanced.

Following the official launch of **World Phone** on 27 July 2015, **World Phone** global and viral adoption has been accelerating with the app downloaded in excess of 50,000 times as of 18 August 2015, representing a 400% growth in the two week period from launch. Downloads of World Phone continue to grow at a significant rate, alongside increases in early revenues from in-app calling time, monthly subscriptions and Personal Phone Numbers. The trend of in-app purchases to download ratio (i.e. conversion from downloader to paying customer) continues to increase.

Burkina Faso

At 30 June 2015, the Company holds four permits in Burkina Faso which are under agreement with SEMAFO Inc which grants a working right and option to purchase the permits to a subsidiary of SEMAFO in return for exploration funding and cash payments.

Remaining payments due under the option agreements with SEMAFO are \$US55,000 on 19 March 2016, \$US30,000 on 8 May 2016 and \$US70,000 on 19 March 2017, in addition to exploration spend by SEMAFO on the Burkina permits.

All other Burkina Faso involvements have now been terminated, allowing the Company to focus on the growth and development of its telecommunications business.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors believe that the Company has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Company's operations are subject to various environmental regulations under the Federal and State Laws of Australia and environmental laws of Burkina Faso, West Africa. The majority of the Company's activities involve low level disturbance associated with exploration drilling programs. Approvals, licences and hearings and other regulatory requirements are performed as required by the management of Norwood Systems Limited for each permit or lease in which the Company has an interest.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Following the official launch of **World Phone** on 27 July 2015, **World Phone** global and viral adoption has been accelerating with the app downloaded in excess of 50,000 times as of 18 August 2015, representing a 400% growth in the two week period from launch. Downloads of World Phone continue to grow at a significant rate, alongside increases in early revenues from in-app calling time, monthly subscriptions and Personal Phone Numbers. The trend of in-app purchases to download ratio (i.e. conversion from downloader to paying customer) continues to increase.

DIRECTORS' REPORT (CONTINUED)

EVENTS SINCE THE END OF THE FINANCIAL YEAR (CONTINUED)

The Company announced a less than marketable parcel share sale on 4 August 2015. The less than marketable parcel share sale applies to the Company's 1,801 shareholders who on record date (3 August 2015) held less than 17,857 shares each. The Company is offering the sale facility to assist holders of less than marketable parcels to sell shares without having to use a broker or pay brokerage. The Company will pay all costs of the sale for shareholders who use this facility, excluding tax consequences from the sale which remains the shareholder's responsibility. Shareholders with a less than marketable parcel who wish to retain their shareholding need to give the Company written notice of this intention no later than 5:00pm (WST) on 22 September 2015 otherwise their shares will be sold by the Company. No action is required if eligible shareholders wish to sell their shares through the sale facility.

Apart from the event discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of \$10,695 excluding GST (2014: \$7,182) to insure the Directors and Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, unlisted options and performance shares of the Company were:

| Director | Shares | | Options | | Class A Performance Shares | | Class B Performance Shares | |
|-----------------|---------------|-----------------|---------------|-----------------|----------------------------|-----------------|----------------------------|-----------------|
| | Held Directly | Held Indirectly | Held Directly | Held Indirectly | Held Directly | Held Indirectly | Held Directly | Held Indirectly |
| Paul Ostergaard | - | 198,023,477 | - | - | - | 41,362,174 | - | 41,362,174 |
| Michael Edwards | - | 4,847,976 | - | - | - | - | - | - |
| Amit Pau | - | 8,260,766 | - | - | - | 1,770,165 | - | 1,770,165 |
| Total | - | 211,132,219 | - | - | - | 43,132,339 | - | 43,132,339 |

MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors held during the year and the numbers of meetings attended by each Director are:

| Board of Directors | Meetings Attended | Meetings Eligible to Attend |
|--|-------------------|-----------------------------|
| Paul Ostergaard (<i>appointed 8 June 2015</i>) | 1 | 1 |
| Michael Edwards (<i>appointed 20 January 2015</i>) | 4 | 4 |
| Amit Pau (<i>appointed 8 June 2015</i>) | 1 | 1 |
| Alexander Barblett (<i>resigned 8 June 2015</i>) | 3 | 3 |
| Andrew Habets (<i>resigned 8 June 2015</i>) | 3 | 3 |
| John Hannaford (<i>resigned 20 January 2015</i>) | 3 | 3 |

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2015. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the following specified executives in the Company:

Key Management Personnel

Directors:

| | | |
|-----------------------|-----------------------------------|--|
| Mr Paul Ostergaard | Managing Director | Appointed 8 June 2015 |
| Mr Amit Pau | Non-Executive Director | Appointed 8 June 2015 |
| Mr Michael Edwards | Executive Director | From 20 January 2015 until 8 June 2015 |
| | Non-Executive Director | From 8 June 2015 |
| Mr Alexander Barblett | Non-Executive Director | Resigned 8 June 2015 |
| Mr Andrew Habets | Non-Executive Director | Resigned 8 June 2015 |
| Mr John Hannaford | Non-Executive Director & Chairman | Resigned 20 January 2015 |

Executives:

| | | |
|--------------------|--------------------------|-----------------------|
| Mr David Wilson | Chief Technology Officer | Appointed 8 June 2015 |
| Mr Michael Edwards | Chief Executive Officer | Resigned 8 June 2015 |

Remuneration Policies

Remuneration levels for Directors, secretaries and, if required, senior executives of the Company ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy. No such advice was obtained during the current year.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the entity's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels are, if necessary reviewed annually by the Board through a process that considers individual and overall performance of the entity. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place. No external consultants were engaged in the current year.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-Linked Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and key management personnel. Currently, this is facilitated through bonus schemes and the issue of options and performance shares to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

Principles used to determine the nature and amount of variable remuneration: relationship between remuneration and company performance

As the Group is currently in the start up phase, the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company rather than Group financial performance.

Directors and executives are issued options and, in some cases, performance shares, to encourage the alignment of personal and shareholder interests.

Options issued to Directors may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

Performance shares vest on the achievement of operational milestones, providing those directors holding performance shares an incentive to meet the operational milestones prior to the expiry date of the performance shares.

On the resignation of Directors any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

In considering the entity's performance and benefits for shareholders' wealth, the Chairman has regard to the following indices in respect of the current financial year and the previous four financial years.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|-----------------------|---------------|---------------|---------------|-------------|-------------|
| Net profit / (loss)* | \$(5,882,956) | \$(2,825,590) | \$(1,610,526) | \$(744,648) | \$(637,478) |
| Share price | \$0.033 | \$0.01 | \$0.03 | \$0.06 | \$0.15 |
| Change in share price | \$0.023 | \$(0.02) | \$(0.03) | \$(0.09) | \$(0.01) |
| Earnings per share* | \$(1.50) | \$(0.04) | \$(0.04) | \$(0.02) | \$(0.01) |

*Net profit/(loss) and earnings per shares figures for the periods 2014 – 2011 are as previously disclosed and have not been updated for the reverse acquisition of Norwood Systems (Aust) Pty Ltd which occurred on 8 June 2015 and therefore these figures may not be comparative to the 2015 figures.

As the Group is currently in the start up phase, the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX and the market capitalisation of the Company rather than Group financial performance.

None of the remuneration provided to Directors and executives during the year was linked to achievement of a performance milestone.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Service Agreements

It is the entity's policy that service contracts for executive Directors and senior executives be entered into.

A service contract with an executive Director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual. The executive Directors and senior executives would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

At any time the service contract can be terminated either by the entity or the executive Director or senior executive providing notice for a period of time in line with market practice at the time the terms are agreed. The Company may make a payment in lieu of notice for the same period of time, equal to 100% of base salary.

An executive Director or senior executive would have no entitlement to termination payment in the event of removal for misconduct.

Major provisions of the agreements existing at balance date relating to executive remuneration are set out below.

Mr Paul Ostergaard – Managing Director

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$175,000 per annum plus superannuation at statutory rates
- Bonuses – Mr Ostergaard is entitled to the following bonus payments:
 - An amount equal to 5% of revenues generated by the EURPOA/World Phone platform to the Company (net of payments made to re-sellers of the EUROPA/World Phone Application) in the period of 12 months following the public launch or EUROPA/World Phone; and
 - An amount of \$25,000 payable on satisfaction of a gross revenue target of \$200,000 from a third party contract in a 12 months period for each of the first two separate third party contracts, within 30 months from 8 June 2015.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Mr David Wilson – Chief Technology Officer

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$160,000 per annum plus superannuation at statutory rates.
- Bonuses - Mr Wilson is entitled to the following bonus payments:
 - An amount equal to 3% of revenues generated by the EUROPA/World Phone platforms to the Company (net of payments made to re-sellers of the EUROPA/World Phone Application) in the period of 12 months following the public launch of EUROPA/World Phone, to be reassessed after the initial 12 month period; and
 - An amount of \$15,000 payable on satisfaction of a gross revenue target of \$200,000 from a third party contract in a 12 months period for each of the first two separate third party contracts, within 30 months from 8 June 2015.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

Non-Executive Directors

Upon appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of Director.

The key terms of the Non-Executive Director service agreements are as follows:

- Term of Agreement – ongoing subject to annual review.
- Non-Executive Directors' Fees of \$36,000 per annum.
- Non-Executive Chairman's Fees of \$48,000.
- There is no notice period stipulated to terminate the contract by either party.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed \$300,000 per annum and fees are set based on fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently set at \$36,000 per annum.

The Company does not have a Director's Retirement Scheme in place at present.

Hedging Exposure

It is the entity's policy that Directors and executives of the Company are required to seek the prior written approval of the Board before entering into hedging arrangements in respect to their holdings of Company equity instruments. The executive or Director must provide full details of any such hedging arrangements for consideration by the Board. The Board will consider each approach for approval on its merits, taking into account the size of the holding, the level of exposure, the repayment requirements and the impact any adverse market conditions may have on the capital structure of the Company.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Norwood Systems Limited are set out in the following table.

Key Management Personnel of Norwood Systems Limited

| 2015 | | | Post-Employment Benefits | Share Based Payments | | |
|--------------------------------------|----------------|--------------|--------------------------|----------------------|----------------|---------------------|
| Key Management Personnel | Salary & Fees | Non-Monetary | Super-annuation | Options | Total | Performance Related |
| | \$ | \$ | \$ | \$ | \$ | % |
| Executive Directors | | | | | | |
| Mr Paul Ostergaard ⁽¹⁾ | 133,541 | - | 12,686 | - | 146,227 | - |
| Mr Michael Edwards ⁽²⁾ | 50,323 | - | - | - | 50,323 | - |
| Total Executive Directors | 183,864 | - | 12,686 | - | 196,550 | - |
| Non-Executive Directors | | | | | | |
| Mr Michael Edwards ⁽³⁾ | 8,000 | - | - | - | 8,000 | - |
| Mr Amit Pau ⁽⁴⁾ | 2,200 | - | - | - | 2,200 | - |
| Mr Alexander Barblett ⁽⁵⁾ | 23,494 | - | 2,232 | - | 25,726 | - |
| Mr Andrew Habets ⁽⁵⁾ | 23,494 | - | 2,232 | - | 25,726 | - |
| Mr John Hannaford ⁽⁶⁾ | 13,844 | - | 1,315 | - | 15,159 | - |
| Total Non-Executive Directors | 71,032 | - | 5,779 | - | 76,811 | - |
| Total Directors | 254,896 | - | 18,465 | - | 273,361 | - |
| Executives | | | | | | |
| Mr David Wilson ⁽⁷⁾ | 130,576 | - | 12,405 | - | 142,981 | - |
| Mr Michael Edwards ⁽⁸⁾ | 25,750 | - | - | - | 25,750 | - |
| Total Executives | 156,326 | - | 12,405 | - | 168,731 | - |
| Total | 411,222 | - | 30,870 | - | 442,092 | - |

The remuneration figures in the above table represent the total amounts earned by each individual in the period 1 July 2014 to 30 June 2015 without regard to the appointment dates listed below.

(1) Mr Paul Ostergaard was appointed Managing Director on 8 June 2015.

(2) Amounts paid to Mr Michael Edwards in his capacity as Executive Director from 20 January 2015 to 8 June 2015.

(3) Amounts paid to Mr Michael Edwards in his capacity as Non-Executive Director from 8 June 2015.

(4) Mr Amit Pau was appointed as a Non-Executive Director on 8 June 2015.

(5) Mr Alexander Barblett and Mr Andrew Habets resigned on 8 June 2015.

(6) Mr John Hannaford resigned on 20 January 2015.

(7) Mr David Wilson was appointed Chief Technology Officer on 8 June 2015.

(8) Amounts paid to Mr Michael Edwards in his capacity as Chief Executive Officer from 1 July 2014 to 20 January 2015.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

| 2014 | Short Term Benefits | | Post-Employment Benefits | Share Based Payments | Total | Performance Related |
|--------------------------------------|---------------------|--------------|--------------------------|----------------------|----------------|---------------------|
| | Salary & Fees | Non-Monetary | Super-annuation | Options | | |
| Key Management Personnel | \$ | \$ | \$ | \$ | \$ | % |
| Executive Directors | | | | | | |
| Mr Paul Ostergaard | 120,000 | - | 11,100 | - | 131,100 | - |
| Total Executive Directors | 120,000 | - | 11,100 | | 131,100 | |
| Non-Executive Directors | | | | | | |
| Mr John Hannaford | 25,000 | - | 2,312 | - | 27,312 | - |
| Mr Alexander Barblett | 25,000 | - | 2,312 | - | 27,312 | - |
| Mr Andrew Habets | 25,000 | - | 2,312 | - | 27,312 | - |
| Total Non-Executive Directors | 75,000 | - | 6,936 | - | 81,936 | - |
| Total Directors | 195,000 | - | 18,036 | | 213,036 | |
| Executives | | | | | | |
| Mr Michael Edwards | 82,500 | - | - | - | 82,500 | - |
| Total | 277,500 | - | 18,036 | - | 295,536 | - |

The remuneration figures in the above table are for the Key Management Personnel of both Norwood Systems Limited and Norwood Systems (Aust) Pty Ltd. This table is presented as if the 8 June 2015 acquisition of Norwood Systems (Aust) Pty Ltd by Norwood Systems Ltd occurred on 1 July 2013.

Share Based Compensation

There was no share-based compensation issued to the Directors or Key Management Personnel for the year ended 30 June 2015.

Share Holdings of Key Management Personnel

The number of ordinary shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2015 is as follows:

| Directors and Executives | Held at 30 June 2014 | On Market Purchases During the Year | Other Changes | Balance at Appointment/ (Resignation) Date | Held at 30 June 2015 |
|--------------------------|----------------------|-------------------------------------|--------------------------|--|----------------------|
| Mr Paul Ostergaard | - | - | - | 198,023,477 | 198,023,477 |
| Mr Michael Edwards | 1,825,386 | 525,000 | 2,497,590 ⁽¹⁾ | - | 4,847,976 |
| Mr Amit Pau | - | - | - | 8,260,766 | 8,260,766 |
| Mr David Wilson | - | - | - | - | - |
| Mr Alexander Barblett | 197,500 | - | - | (197,500) | - |
| Mr Andrew Habets | 3,420,000 | - | - | (3,420,000) | - |
| Mr John Hannaford | 8,205,415 | 150,000 | 8,205,415 ⁽²⁾ | (16,560,830) | - |
| Total | 13,648,301 | 675,000 | 10,703,005 | 186,105,913 | 211,132,219 |

⁽¹⁾Participation in the September 2014 Entitlement Issue and the June 2015 placement.

⁽²⁾Participation in the September 2014 Entitlement Issue.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Option Holdings of Key Management Personnel

The number of options of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2015 is as follows:

| Directors and Executives | Held at 30 June 2014 | Options Expired | Balance at Appointment/ (Resignation) Date | Held at 30 June 2015 | Vested and Exercisable at 30 June 2015 |
|--------------------------|----------------------|----------------------------|--|----------------------|--|
| Mr Paul Ostergaard | - | - | - | - | - |
| Mr Michael Edwards | - | - | - | - | - |
| Mr Amit Pau | - | - | - | - | - |
| Mr David Wilson | - | - | - | - | - |
| Mr Alexander Barblett | 1,000,000 | - | (1,000,000) | - | - |
| Mr Andrew Habets | 1,000,000 | - | (1,000,000) | - | - |
| Mr John Hannaford | 3,250,000 | (1,000,000) ⁽¹⁾ | (2,250,000) | - | - |
| Total | 5,250,000 | (1,000,000) | (4,250,000) | - | - |

⁽¹⁾ 1,000,000 unlisted options with an exercise price of \$0.25 expired on 31 August 2014.

Performance Share Holdings of Key Management Personnel

The number of Performance Shares of Norwood Systems Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2015 is as follows:

| Directors and Executives | Held at 30 June 2014 | Granted During the Year | Vested During the Year | Balance at Appointment/ (Resignation) Date | Vested but not Exercisable at 30 June 2015 ⁽¹⁾ |
|--------------------------|----------------------|-------------------------|------------------------|--|---|
| Mr Paul Ostergaard | - | - | - | 82,724,348 | 82,724,348 |
| Mr Michael Edwards | - | - | - | - | - |
| Mr Amit Pau | - | - | - | 3,540,330 | 3,540,330 |
| Mr David Wilson | - | - | - | - | - |
| Mr Alexander Barblett | - | - | - | - | - |
| Mr Andrew Habets | - | - | - | - | - |
| Mr John Hannaford | - | - | - | - | - |
| Total | - | - | - | 86,264,678 | 86,264,678 |

⁽¹⁾ During the year ended 30 June 2015 Norwood Systems Ltd issued a total of 157,739,522 Performance Shares to the shareholders of Norwood Systems (Aust) Pty Ltd which convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- 78,869,761 Class A Performance Shares convert 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. The expiry date of the Class A Performance Shares is 9 December 2017; and
- 78,869,761 Class B Performance Shares convert upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Shares is 9 June 2018.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the two performance milestones which are based on future events..

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel Loans

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2015. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. Movements in the loan account during the year are as follows:

| | Consolidated | Norwood Systems (Aust) |
|--|---------------------|-----------------------------------|
| | 2015 | P/L 2014 |
| | \$ | \$ |
| Opening balance payable by the Group | 128,258 | 142,743 |
| Loans proceeds received/(advanced) | (63,668) | 57,515 |
| Repaid through the issue of 6,678,583 shares in the Company ¹ | (105,059) | - |
| Cash repayments | - | (72,000) |
| Total payable by/(receivable due to) the Group | (40,469) | 128,258 |

¹Refer to note 14 – these 6,678,583 shares are included in the 18,302,230 trade creditor settlement shares issued as part of the transaction described in note 17. \$105,059 is the value of the liability settled through the issue of the 6,678,583 shares; the fair value of these shares is \$133,572 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$28,513 on the conversion of this liability.

Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

The Company has a loan account with the Ostergaard Family Trust, the movements in which are as follows:

| | Consolidated | Norwood Systems (Aust) |
|--|---------------------|-----------------------------------|
| | 2015 | P/L 2014 |
| | \$ | \$ |
| Opening balance | - | - |
| Loans proceeds received | 24,906 | - |
| Repaid through the issue of 9,579 shares in the Company ² | (24,906) | - |
| Loans advanced | 18,739 | - |
| Total receivable due to the Group | 18,739 | - |

²Refer to note 14. \$24,906 is the value of the liability settled through the issue of the 9,579 shares; the fair value of these shares is \$31,605 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$6,699 on the conversion of this liability.

Chillcast Pty Ltd (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

At 30 June 2015 the Group owed Chillcast Pty Ltd, a Company of which Paul Ostergaard is a director, nil (30 June 2014: nil). Movements in the loan account during the year are as follows:

| | Consolidated | Norwood Systems (Aust) |
|------------------------|---------------------|-----------------------------------|
| | 2015 | P/L 2014 |
| | \$ | \$ |
| Opening balance | - | 25,000 |
| Loans advanced | - | - |
| Loan repayments made | - | - |
| Transferred | - | (25,000) |
| Closing balance | - | - |

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman, resigned 20 January 2015)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2015 is as follows:

| | Consolidated | Norwood |
|---|---------------------|--------------------|
| | 2015 | Systems Ltd |
| | \$ | 2014 |
| | | \$ |
| Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office | 108,275 | 108,625 |
| Corporate advisory services in respect of the acquisition of Norwood Systems (Aust) Pty Ltd | 55,900 | - |
| Total | 164,175 | 108,625 |

The total amount of fees due to Ventnor Capital Pty Ltd as at 30 June 2015 was \$7,608 (2014: \$24,026).

Shadwick Nominees Pty Ltd (Mr Michael Edwards)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided CEO services to the Company during the year. A total amount of \$76,073 (2014: \$78,500) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2015. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2015 was \$8,000 (2014: \$4,000).

Ariadne Capital Ltd (Mr Amit Pau – Non-Executive Director, appointed 8 June 2015)

Ariadne Capital Ltd, a Company of which Mr Amit Pau is a Director, received 8,260,766 shares in the Company in satisfaction of \$148,973 of outstanding consulting fees. The fair value of these shares is \$165,215 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$16,242 on the conversion of this liability.

Voting and comments made at the Company's 2014 Annual General Meeting

The Company received approximately 75% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or during the year on its remuneration practices.

***** **END OF AUDITED REMUNERATION REPORT** *****

AUDITOR & NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act 2001*.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2015 has been received and can be found on page 28.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought to or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

SHARE OPTIONS

During the year ended 30 June 2015 10,450,000 unlisted options with an exercise price of \$0.25 each expired unexercised (2014: nil). There were no options exercised during the year (2014: nil).

Options over unissued ordinary shares

At the date of this report the following options over ordinary shares in Norwood Systems Ltd are on issue and outstanding:

| | No. of Options | Exercise Price | Expiry Date |
|------------------|-----------------------|-----------------------|--------------------|
| Unlisted Options | 16,970,401 | \$0.02 | 09/06/2018 |
| Unlisted Options | 2,000,000 | \$0.25 | 29/11/2015 |
| Unlisted Options | 5,000,000 | \$0.25 | 30/11/2016 |
| Unlisted Options | 1,000,000 | \$0.30 | 08/10/2015 |
| Unlisted Options | 1,000,000 | \$0.40 | 08/10/2016 |
| Total | 25,970,401 | | |

PERFORMANCE SHARES

During the year ended 30 June 2015 Norwood Systems Ltd issued a total of 157,739,522 Performance Shares to the shareholders of Norwood Systems (Aust) Pty Ltd which convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- 78,869,761 Class A Performance Shares convert 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. The expiry date of the Class A Performance Shares is 9 December 2017; and
- 78,869,761 Class B Performance Shares convert upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Shares is 9 June 2018.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the two performance milestones which are based on future events.

Signed in accordance with a resolution of the Directors.



Mr Paul Ostergaard
Managing Director
14 September 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main Corporate Governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition unless otherwise stated.

Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board Processes

The Board has not established an Audit Committee, a Nomination Committee or a Remuneration Committee because of the limited size, nature and scope of operations of the Company, the Board itself undertakes these responsibilities. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman. Standing items include the financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

Director Education

The entity does not have a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors, these matters are dealt with on an informal basis at present. However, when the Company expands its present business activities a formal process will be initiated to educate new and existing Directors on an ongoing basis.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The Director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report.

Given the Group's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives. The current board composition includes two independent Directors and one non-independent Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The future composition of the Board is determined using the following principles:

- the Board should comprise not more than ten Directors and not less than three Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises;
- a majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the Chairman should not also be the Chief Executive Officer;
- the Board should comprise Directors with a broad range of expertise both nationally and internationally;
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office. There were no executive Directors at the time of this report; and
- the Board assumes the role of Nomination Committee due to the size, nature and scope of the Company.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

The Board considers Mr Michael Edwards and Mr Amit Pau to be independent Directors and Mr Paul Ostergaard, as a member of management, to not be an independent Director. Therefore the majority of the Board is considered to be comprised of independent Directors. The Chairman of the Board is Mr Michael Edwards.

** the Board considers 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10% of the relevant segment's or the Director-related business' revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The Board maintains a skills matrix which indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, relevant industry experience, HR, policy development, international business and marketing skills. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

Remuneration

The Board assumes the role of the remuneration committee and the Chairman reviews remuneration packages and policies applicable to the Directors and employees.

The Chairman is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies none of which are applicable to the Company at the present time.

The total remuneration for all non-executive Directors, last voted upon by shareholders, is not to exceed \$300,000 per annum. The current remuneration for each non-executive Director is \$36,000 per annum. Non-executive Directors do not receive bonuses nor are they issued options on securities. The Chairman currently receives remuneration of \$48,000 per annum.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration Report

The Remuneration Report is set out above and forms part of the Directors' Report for the financial year ended 30 June 2015.

Audit Committee

The Board assumes the role of the Audit Committee because of the limited size and nature of the operations of the Company. The Company has a documented Audit Committee charter, approved by the Board. The external auditors, and the Board conduct the equivalent to Audit Committee meetings. The auditors and Board met once during the year.

The Chief Financial Officer and Company Secretary has declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2015 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The responsibilities of the Audit Committee as assumed by the Board include:

- reviewing the annual, half year concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews deemed necessary by the Board;
- reviewing the nomination and performance of the external auditor;
- monitoring the procedures to ensure compliance with Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half yearly and annual financial report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Nomination Committee

The Board assumes the role of the Nomination Committee because of the limited size and nature of the operations of the Company. The Company has a documented Nomination Committee charter, approved by the Board.

The Board's function as a Nomination Committee is to examine the selection and appointment practices of the Company.

The responsibilities of the Nomination Committee as assumed by the Board are given below.

Size and Composition of the Board

To ensure that the Board has the appropriate blend of directors with the necessary skills, expertise, relevant industry experience and diversity, the Board shall:

- regularly review the size and composition of the Board and consider any appropriate changes;
- identify and assess necessary and desirable Director skills and competencies and provide advice on the skills and competency levels of directors with a view to enhancing the Board;
- make recommendations on the appointment and removal of Directors;
- make recommendations on whether any Directors whose term of office is due to expire should be nominated for re-election;
- regularly review the time required from Non-Executive Directors and whether Non-Executive Directors are meeting that requirement;
- regularly review the Company's Diversity Policy and make decisions as to any strategies required to address Board diversity; and
- regularly review and consider and note the relative proportion of women and men at all levels of the economic group controlled by Company.

Selection Process of New Directors

The Board shall review the Company's Policy and Procedure for Selection and Appointment of Directors and the Company's Diversity Policy. Such procedure should be transparent to promote investor understanding and confidence in the process.

The Board is empowered to engage external consultants in its search for a new Director, particularly as a means to increase the presentation of candidates which meet the requirements and targets set pursuant to the Company's Diversity Policy.

The initial appointment of a new Director is made by the Board. The new Director will be required to stand for election at the Company's next general meeting.

Each Director and senior executive is required to enter into a written agreement with the Company which sets out the terms of their appointment.

Performance Appraisal

The Board shall:

- develop a process for evaluation of the performance of the Board, Board committees (if any), and when deemed appropriate by the Chair, individual Board members in accordance with the Company's Process for Performance Evaluation;
- implement ways of enhancing the competency levels of Directors;
- consider and articulate the time required by Board members in discharging their duties efficiently;
- undertake continual assessment of Directors as to whether they have devoted sufficient time in fulfilling their duties as Directors;
- develop a process for, and carry out, an evaluation of the performance of the Managing Director and other senior executives in accordance with the Company's Process for Performance Evaluation;
- review and implement the Company's induction program;
- ensure new Directors participate in the induction program; and
- provide all Directors with access to ongoing education relevant to their position in the Company, including education concerning key developments in the Company and in the industry and environment within which it operates.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Management

Oversight of the Risk Management System

The Board has implemented a Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company because of the limited size and scope of the Company's operations. The Board has assessed the financial reporting risk management and associated compliance and controls and found them to be operating efficiently and effectively. The operational and other risk management compliance and controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the group. Given the present size of the Company, these assessments are performed by the Board as a whole and not through a separate internal audit function.

Risk Profile

The risk management program is aimed at ensuring risks are identified, assessed and appropriately managed. Major risks for the entity arise from such matters as actions by competitors, government policy changes, information technology security, supplier relationships, occupational health and safety, financial reporting, consumer and industry trends and the purchase, development and use of information systems and communication technology.

Financial risk exposures arise in the course of the day-to-day operating activities of the entity, largely due to cash flow and interest rate movements. The primary objective of financial exposure management is to reduce the volatility of cash flows and asset values arising from such movements. The cash funds invested by the Company are generally in short term investments with Australian banks.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal controls is comprehensive and comprises the Company's internal compliance and control systems, including:

- financial reporting – there is a budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The entity reports to shareholders half yearly;
- continuous disclosure – the entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules;
- a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the Board;
- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board;
- the Company Secretary is responsible for all communications with the ASX; and
- investment appraisal – the entity has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Financial Reporting

The Chief Financial Officer and Company Secretary has declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets and revised forecasts for the year are prepared regularly.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Assessment of Effectiveness of Risk Management

The Board ensures compliance of the internal controls and risk management programs by reviewing the effectiveness of the compliance and control systems.

Ethical Standards

All Directors, executives and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the entity. The Board reviews the Ethical Standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned is not present at the meeting whilst the item is considered. Details of Director-related entity transactions with the entity are set out in note 25.

Code of Conduct

The entity has advised each Director, executive and employee that they must comply with the Ethics Standards policy. The policy covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community, such as environmental protection policies, supporting the community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Trading in General Company Securities by Directors and Employees

The key elements of the Securities Trading Policy set out are:

- identification of those restricted from trading – Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options;
 - during any closed period (that is five days immediately prior to the release of the preliminary announcement of the Company's annual or half year results and one day after the announcement); and
 - whilst in possession of price sensitive information not yet released to the market;
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares; and
- requiring details to be provided of the subsequent confirmation of the trade.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a continuous disclosure discovery process, which involves monitoring all areas of the entity's internal and external environment;
- the annual financial report is provided to all shareholders on the Company's website via a link to the ASX announcements website (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the entity during the year, changes in the state of affairs of the entity and details of future developments;
- the half yearly report contains summarised financial information and a review of the operations of the entity during the period. The half year reviewed financial report is lodged with the ASX, and sent to any shareholder who requests it;
- proposed major changes in the entity which may impact on share ownership rights are submitted to a vote of shareholders;
- notices of all meetings of shareholders; and
- the external auditor attends the annual general meetings to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, the compliance of accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website via a link to the ASX announcements website immediately upon public release, and available to all shareholders who lodge their contact details with the Company.

Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically either through contacting the Company via its website or contacting the security registry directly.

The Board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the remuneration report and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Gender Diversity

The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The company currently has no female board members or senior executives and has two female employees.

ASX Principals of Good Corporate Governance

The Board has reviewed its current practices in light of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply:

| ASX Principle | Reference/comment |
|--|---|
| Principle 1: Lay solid foundations for management and oversight | |
| 1.5 The Board should establish a diversity policy | The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity. The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace. |
| Principle 2: Structure the Board to add value | |
| 2.1 The Board should establish a nomination committee | Given the size of the Board there is no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process. |
| Principle 4: Safeguard integrity in financial reporting | |
| 4.1 The Board should establish an audit committee | The Company does not have an Audit Committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. |
| Principle 7: Recognise and manage risk | |
| 7.1-2 The Board should establish an risk committee | The Company does not have a Risk Committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function. The board continuously reviews and addresses risk facing the Company. |
| Principle 8: Remunerate fairly and responsibly | |
| 8.1 The Board should establish a remuneration committee | Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary. |

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NORWOOD SYSTEMS LIMITED

As lead auditor of Norwood Systems Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Norwood Systems Limited and the entities it controlled during the period.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 14 September 2015

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NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

| | Note | Consolidated 2015 \$ | Parent 2014 \$ |
|---|-------|----------------------------|----------------------|
| Interest and other revenue | 4 | 7,485 | 1,434 |
| Government grant income | 4 | 65,195 | 331,074 |
| Employee and director benefits expense | 5 | (681,539) | (767,443) |
| Listing expense | 17(f) | (3,470,844) | - |
| Loss on conversion of debt to equity | 14 | (688,937) | - |
| Share based payment expense | 21 | (352,984) | - |
| Accountancy costs | | (197,782) | (48,856) |
| Consultancy and subcontractor fees | | (159,430) | (187,745) |
| Travel and entertainment | | (75,983) | (127,724) |
| Legal fees | | (25,773) | (121,972) |
| Rent | | (100,568) | (84,016) |
| Research and development expenses | | (110,917) | (75,682) |
| Other expenses | | (13,010) | (49,190) |
| Interest expense | | (30,433) | (16,382) |
| Administration expenses | | (35,198) | (14,694) |
| Electricity and telephone | | (11,702) | (7,209) |
| Licence fees | | - | (1,132) |
| Depreciation | | (536) | (544) |
| Loss before income tax | | (5,882,956) | (1,170,081) |
| Income tax benefit | 7 | - | - |
| Loss after tax for the period attributable to the members of Norwood Systems Ltd | | (5,882,956) | (1,170,081) |
| Other comprehensive income | | - | - |
| Total comprehensive (loss) for the period attributable to the members of Norwood Systems Ltd | | (5,882,956) | (1,170,081) |
| Basic and diluted earnings/(loss) per share (cents per share) | 6 | (1.50) | (0.32) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

| | Note | Consolidated 2015 \$ | Parent 2014 \$ |
|--------------------------------------|------|----------------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 4,546,059 | 25,365 |
| Trade and other receivables | 9 | 171,534 | 331,074 |
| Total Current Assets | | 4,717,593 | 356,439 |
| Non-Current Assets | | | |
| Plant and equipment | | 1,778 | 1,268 |
| Total Non-current Assets | | 1,778 | 1,268 |
| TOTAL ASSETS | | 4,719,371 | 357,707 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 10 | 214,044 | 469,244 |
| Provisions | 11 | 60,261 | 48,862 |
| Borrowings | 12 | - | 131,255 |
| Convertible notes | 13 | - | 709,388 |
| Total Current Liabilities | | 274,305 | 1,358,749 |
| Non-Current Liabilities | | | |
| Provisions | 11 | 54,499 | - |
| Total Non-Current Liabilities | | 54,499 | - |
| TOTAL LIABILITIES | | 328,804 | 1,358,749 |
| NET ASSETS/(LIABILITIES) | | 4,390,567 | (1,001,042) |
| EQUITY | | | |
| Issued capital | 14 | 12,171,805 | 1,250,224 |
| Reserves | 15 | 352,984 | - |
| Accumulated losses | 16 | (8,134,222) | (2,251,266) |
| TOTAL EQUITY/(DEFICIT) | | 4,390,567 | (1,001,042) |

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 30 June 2015

| | Parent | | | |
|---|-------------------|-------------------|-----------------------|--------------------|
| | Issued Capital | Option Reserve | Accumulated Losses | Total |
| | \$ | | \$ | \$ |
| Balance at 1 July 2013 | 1,250,224 | - | (1,081,185) | 169,039 |
| Loss for the year | - | - | (1,170,081) | (1,170,081) |
| Total other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (1,170,081) | (1,170,081) |
| <i>Transaction with owners, directly recorded in equity</i> | - | - | - | - |
| Total transactions with owners | - | - | - | - |
| Balance at 30 June 2014 | 1,250,224 | - | (2,251,266) | (1,001,042) |

| | Consolidated | | | |
|--|-------------------|-------------------|-----------------------|--------------------|
| | Issued Capital | Option Reserve | Accumulated Losses | Total |
| | \$ | | \$ | \$ |
| Balance at 1 July 2014 | 1,250,224 | - | (2,251,266) | (1,001,042) |
| Loss for the year | - | - | (5,882,956) | (5,882,956) |
| Total other comprehensive income | - | - | - | - |
| Total comprehensive loss for the year | - | - | (5,882,956) | (5,882,956) |
| <i>Transaction with owners, directly recorded in equity:</i> | | | | |
| Issue of Ordinary Shares, net of transaction costs | 10,921,581 | - | - | 10,921,581 |
| Issue of Options | - | 352,984 | - | 352,984 |
| Total transactions with owners | 10,921,581 | 352,984 | - | 11,274,565 |
| Balance at 30 June 2015 | 12,171,805 | 352,984 | (8,134,222) | 4,390,567 |

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

| | Note | Consolidated 2015 \$ | Parent 2014 \$ |
|---|-------|----------------------------|----------------------|
| Cash flows from operating activities | | | |
| Government grants received | | 396,269 | - |
| Payments to suppliers and employees | | (1,795,274) | (764,857) |
| Interest received | | 12,942 | 171 |
| Interest paid | | (45,602) | - |
| Net cash flows (used in) operating activities | 19 | (1,431,665) | (764,686) |
| Cash flows from investing activities | | | |
| Purchase of plant & equipment | | (1,048) | - |
| Loan proceeds advanced from Norwood Systems Ltd to Norwood Systems (Aust) Pty Ltd prior to acquisition date | 17(e) | 257,750 | - |
| Cash held by Norwood Systems Ltd at acquisition date | 17(e) | 78,909 | - |
| Net cash flows (used in) investing activities | | 335,611 | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 5,500,000 | - |
| Share issue costs | | (330,000) | - |
| Proceeds from issue of convertible notes | | 504,050 | 694,219 |
| Proceeds from related party borrowings | | 24,906 | 57,515 |
| Director and related party loans advanced | | (82,208) | - |
| Repayment of related party borrowings | | - | (72,000) |
| Proceeds from borrowings | | - | 1,103 |
| Net cash flows from financing activities | | 5,616,748 | 680,837 |
| Net (decrease)/increase in cash and cash equivalents | | 4,520,694 | (83,849) |
| Cash and cash equivalents at beginning year | | 25,365 | 109,214 |
| Cash and cash equivalents at end year | 8 | 4,546,059 | 25,365 |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1: REPORTING ENTITY

Norwood Systems Ltd (formerly Monteray Mining Group Ltd) is a listed public Company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

The consolidated financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Company comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Norwood Systems Ltd is a company limited by shares. The financial report is presented in Australian currency. Norwood Systems Limited is a for-profit entity.

Reverse Acquisition

On 8 June 2015, Norwood Systems Limited (formerly Monteray Mining Group Limited) acquired 100% of the share capital of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd). Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquires the net assets and listing status of Norwood Systems Ltd.

Accordingly the consolidated financial statements of Norwood Systems Ltd have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015. The comparative information for the 12 months ended 30 June 2014 presented in the consolidated financial statements is that of Norwood Systems (Aust) Pty Ltd as presented in its last set of year-end financial statements. Refer to note 17 for further details of the transaction.

The implications of the acquisition by Norwood Systems (Aust) Pty Ltd on the financial statements are as follows:

Statement of Profit or Loss and Other Comprehensive Income

- The 2015 Consolidated Statement of Profit or Loss and Other Comprehensive Income comprises the total comprehensive result for the financial year, including the total comprehensive loss of Norwood Systems (Aust) Pty Ltd for the 12 months from 1 July 2014 to 30 June 2015 and the total comprehensive loss of Norwood Systems Ltd for the period 8 June 2015 – 30 June 2015.
- The 2014 Statement of Profit or Loss and Other Comprehensive Income comprises the full comparative financial year for Norwood Systems (Aust) Pty Ltd only.

Statement of Financial Position

- The 2015 Consolidated Statement of Financial Position as at 30 June 2015 comprises the consolidated position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd.
- The 2014 Statement of Financial Position comprises the position of only Norwood Systems (Aust) Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Statement of Changes in Equity

- The 2015 Consolidated Statement of Changes in Equity comprises:
 - The equity balance of Norwood Systems (Aust) Pty Ltd as at the beginning of the financial year (1 July 2014).
 - The total comprehensive result for the financial year and transactions with equity holders of Norwood Systems (Aust) Pty Ltd for the 12 months from 1 July 2014 to 30 June 2015 and Norwood Systems Ltd for the period 8 June 2015 – 30 June 2015.
 - The consolidated equity position of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd at the end of the financial year (30 June 2015).
- The 2014 Statement of Changes in Equity comprises the full financial year for Norwood Systems (Aust) Pty Ltd for the 12 months ended 30 June 2014.

Statement of Cash Flows

- The 2015 Consolidated Statement of Cash Flows comprises:
 - The cash balance of Norwood Systems (Aust) Pty Ltd at the beginning of the financial year (1 July 2014).
 - The transactions for the financial year of Norwood Systems (Aust) Pty Ltd for the 12 months from 1 July 2014 to 30 June 2015 and Norwood Systems Ltd for the period 8 June 2015 – 30 June 2015.
 - The consolidated cash balance of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd at the end of the financial year (30 June 2015).
- The 2014 Statement of Cash Flows comprises the full financial year for Norwood Systems (Aust) Pty Ltd for the 12 months ended 30 June 2014.

Equity Structure

The equity structure (the number and type of equity instruments issued) in the 30 June 2015 financial statements reflects the consolidated equity structure of Norwood Systems Ltd and Norwood Systems (Aust) Pty Ltd, with Norwood Systems (Aust) Pty Ltd equity instruments eliminated at acquisition date.

The 2014 comparatives reflect the equity structure of Norwood Systems (Aust) Pty Ltd.

Earnings Per Share

The weighted average number of shares outstanding for the year ended 30 June 2015 is based on the weighted average number of shares of Norwood Systems (Aust) Pty Ltd that are outstanding from the beginning of the period to the date of the acquisition that the number of shares is multiplied by the ex ratio established in the acquisition and added to the actual number of shares of Norwood Systems Ltd outstanding in the period following the acquisition.

The 2014 comparative weighted average number of shares is based on the legal subsidiary's historical weighted average number of shares multiplied by the exchange ratio.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Significant Judgements and Key Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 17: Reverse Acquisition Accounting

On 8 June 2015, Norwood Systems Limited (formerly Monterey Mining Group Limited) acquired 100% of the share capital of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd). Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquires the net assets and listing status of Norwood Systems Ltd.

Accordingly the consolidated financial statements of Norwood Systems Ltd have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015. The comparative information for the 12 months ended 30 June 2014 presented in the consolidated financial statements is that of Norwood Systems (Aust) Pty Ltd as presented in its last set of year-end financial statements. Refer to note 17 for further details of the transaction.

Note 21: Share Based Payments

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Norwood Systems Limited and its subsidiaries (the Group) as at 30 June 2015 or for any time during the year.

As explained at note 2 the consolidated financial statements of the Norwood Systems Ltd Group have been prepared as a continuation of the business and operations of Norwood Systems (Aust) Pty Ltd. As the deemed acquirer Norwood Systems (Aust) Pty Ltd has accounted for the acquisition of Norwood Systems Ltd from 8 June 2015. The comparative information for the 12 months ended 30 June 2014 presented in the consolidated financial statements is that of Norwood Systems (Aust) Pty Ltd as presented in its last set of year-end financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) BASIS OF PREPARATION (Continued)

The financial statements of subsidiaries of are prepared for the same reporting period as the parent Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(b) Revenue Recognition

Interest Revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

(c) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(d) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Norwood Systems Limited and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets not measured at fair value comprise:

- (i) loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

All financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

(f) Trade and Other Receivables

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for doubtful accounts.

(g) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| <u>Class of Fixed Asset</u> | <u>Depreciation Rate</u> |
|-----------------------------|--------------------------|
| Plant and Equipment | 10% - 40% |

(h) Patents & Development Expense

The Company expenses all research and development costs as incurred. The amounts incurred in relation to patent development costs and patent applications are expensed until the Company has received formal notification that a patent has been granted. The Company believes expensing patent development and application costs provides the most relevant and reliable information to financial statement users. The Company will only record a development asset when there is certainty that the Company will be able to patent the technology it has created, as demonstrated by the approval of the patent application and as a result expect future economic benefits to flow to the Company.

Following initial recognition of development expenditure as an development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the patent. Amortisation is recorded in other expenses. During the period of development, the asset is tested for impairment annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets should be impaired. If such indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(j) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on costs.

Contributions are made by the consolidated entity to employee's superannuation funds and are charged as expenses when incurred.

(m) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(n) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

(o) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings per Share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed.

NOTE 4: REVENUE AND OTHER INCOME

| | Consolidated | Parent |
|---|---------------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Revenue and other income | | |
| Interest revenue | 3,235 | 1,434 |
| Other income | 4,250 | - |
| Government grant income – research and development grant | - | 331,074 |
| Government grant income – export market development grant | 65,195 | - |
| | 72,680 | 332,508 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 5: LOSS

Loss before income tax has been determined after charging the following expenses:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Directors' fees ⁽ⁱ⁾ | 142,695 | 120,000 |
| Employee wages | 468,061 | 589,796 |
| Superannuation | 70,783 | 57,647 |
| Total employee and director benefits expense | 681,539 | 767,443 |

⁽ⁱ⁾ Disclosures above relate to Norwood Systems (Aust) Pty Ltd pursuant to the Australian Accounting Standards while disclosures in the remuneration report relate to Norwood Systems Ltd pursuant to the Corporations Act 2001.

| | | |
|---|----------------|---------------|
| Rental expense relating to operating leases | 100,568 | 84,016 |
|---|----------------|---------------|

NOTE 6: LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income or loss and share data used in the total operations basic and diluted earnings per share computations:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Loss used in the calculation of basic and diluted loss per share | (5,882,956) | (1,170,081) |
| Basic earnings/(loss) per share attributable to equity holders | (1.50) | (0.32) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share | 391,406,326 | 368,058,888 |

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 7: INCOME TAX

Major components of income tax expense

| | Consolidated 2015 \$ | Parent 2014 \$ |
|---|-------------------------------------|-------------------------------|
| Accounting loss before income tax | (5,882,956) | (1,170,081) |
| Income tax benefit at the Company's statutory rate of 30% | (1,764,887) | (351,024) |
| <i>Add:</i> | | |
| Research and development claim | - | (99,307) |
| Non-deductible differences | 1,354,769 | 364 |
| Temporary differences and losses not recognised | 410,118 | 449,967 |
| Total income tax benefit for the year | - | - |

At 30 June 2015, the Group has an unrecognised deferred tax asset of \$4,111,079 (2014: \$848,761) in relation to historical losses incurred by the Company. No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- there are no changes in tax legislation in Australia which will adversely affect the Company in realising the benefit from the deductions for the losses.

NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Cash at bank | 4,546,059 | 25,365 |
| Total Cash and Cash Equivalents | 4,546,059 | 25,365 |

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 24 on financial instruments for details on the Group's exposure to risk in respect of its cash balance.

NOTE 9: TRADE AND OTHER RECEIVABLES

| | Consolidated 2015 \$ | Parent 2014 \$ |
|---|-------------------------------------|-------------------------------|
| Current: | | |
| Trade debtors | 134 | - |
| Research and development grant receivable | - | 331,074 |
| Related party loan –Ostergaard Family Trust (note 25(b)) | 18,739 | - |
| Related party loan – Ocean Broadband Ltd (note 12 & note 25(b)) | 40,469 | - |
| Other receivables | 77,778 | - |
| Prepaid expenses | 34,414 | - |
| Total Other Receivables | 171,534 | 331,074 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

The above amounts do not bear interest and their carrying amount is equivalent to their fair value.

No trade and other receivables were impaired during the current year (2014: nil).

The Group's exposure to credit and market risks related to trade and other receivables are disclosed in note 24.

NOTE 10: TRADE AND OTHER PAYABLES

| | Consolidated 2015 \$ | Parent 2014 \$ |
|---------------------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Trade payables | 132,225 | 314,914 |
| Accruals | 81,819 | 154,330 |
| Total Trade and Other Payables | 214,044 | 469,244 |

Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTE 11: PROVISIONS

| | Consolidated 2015 \$ | Parent 2014 \$ |
|-----------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Employee benefits provision | 60,261 | 48,862 |
| Non-Current: | | |
| Employee benefits provision | 54,499 | - |
| Total Provisions | 114,760 | 48,862 |

The current provision for employee benefits includes accrued annual leave and long service leave.

Movements in the employee benefits provision during the year is as follows:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|------------------------|-------------------------------------|-------------------------------|
| Opening balance | 48,862 | 21,347 |
| Provision utilised | - | - |
| Provision raised | 65,898 | 27,515 |
| Closing balance | 114,760 | 48,862 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 12: BORROWINGS

| | Consolidated 2015 \$ | Parent 2014 \$ |
|----------------------------|-------------------------------------|-------------------------------|
| Current: | | |
| Loan – Ocean Broadband Ltd | - | 128,259 |
| Loan – employee | - | 2,996 |
| Total Borrowings | - | 131,255 |

At 30 June 2015 the Company had a loan receivable from Ocean Broadband Pty Ltd, a company of which Paul Ostergaard is a director, of \$40,460 as set out in note 6 (30 June 2014: loan payable of \$131,255). The 30 June 2014 loan payable balance was settled in full during the 2015 financial year through the issue of 6,678,583 shares to settle \$105,059 in June 2015 with the remainder of \$23,200 settled in cash during the year. Refer to note 25(b) for further details.

The loans are non-interest bearing and repayable on demand.

The carrying value of the loans approximate the fair value.

NOTE 13: CONVERTIBLE NOTES

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Current: | | |
| Proceeds from issue of convertible notes | - | 694,219 |
| Accrued interest | - | 15,169 |
| Total Convertible Notes | - | 709,388 |

The following convertible notes were issued during the year ended 30 June 2015:

- 504,050, \$1 unsecured convertible notes with a maturity date of 1 September 2015.

The following convertible notes were issued during the year ended 30 June 2014:

- 355,500, \$1 unsecured convertible notes were issued with a maturity date of 31 January 2015; and
- 338,719, \$1 unsecured convertible notes were issued with a maturity date of 7 March 2015.

Each note was interest bearing a rate of 6% per annum.

All convertible notes were cancelled in June 2015 and converted to 82,042,337 shares in Norwood Systems Limited as part of the transaction as described at note 17 and note 14.

The carrying value of the convertible notes approximate the fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 14: ISSUED CAPITAL

| | 2015 | 2014 |
|---|--------------------|------------------|
| | Number of | Number of |
| | Shares | Shares |
| Issued Ordinary Shares - no par value (fully paid) | 773,859,598 | 1,120,000 |
| Issued AA Preference Shares | - | 438,243 |
| Total | 773,859,598 | 1,558,243 |
| Opening balance | 1,558,243 | 1,558,243 |
| June 2015 – Norwood Systems (Aust) Pty Ltd shares eliminated on completion of Norwood Systems Ltd acquisition | (1,558,243) | - |
| June 2015 – Norwood Systems Ltd shares on issue at acquisition date | 130,800,710 | - |
| June 2015 – Issue of Shares for cash pursuant to the Public Offer | 275,000,000 | - |
| June 2015 – Issue of Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd | 257,060,790 | - |
| June 2015 – Issue of Shares on conversion of Norwood Systems (Aust) Pty Ltd convertible notes | 82,042,337 | - |
| June 2015 – Issue of Shares to settle Norwood Systems (Aust) Pty Ltd creditors | 18,302,230 | - |
| June 2015 – Issue of Shares to the original Norwood (Aust) Pty Ltd investors | 9,073,265 | - |
| June 2015 – Issue of Shares to settle Norwood (Aust) Pty Ltd loan from Ostergaard Family Trust | 1,580,266 | - |
| Total | 773,859,598 | 1,558,243 |
| | 2015 | 2014 |
| | \$ | \$ |
| Issued Ordinary shares - no par value (fully paid) | 12,171,805 | 1,250,224 |
| Opening balance | 1,250,224 | 1,250,224 |
| June 2015 – Issue of Shares for cash pursuant to the Public Offer | 5,500,000 | - |
| June 2015 – Issue of Shares as consideration for the acquisition of Norwood Systems (Aust) Pty Ltd (note 17) | 3,531,619 | - |
| June 2015 – Issue of Shares on conversion of Norwood Systems (Aust) Pty Ltd convertible notes (note 13) | 1,640,847 | - |
| June 2015 – Issue of Shares to settle Norwood Systems (Aust) Pty Ltd creditors | 366,045 | - |
| June 2015 – Issue of Shares to the original Norwood (Aust) Pty Ltd investors | 181,465 | - |
| June 2015 – Issue of Shares to settle Norwood (Aust) Pty Ltd loan from Ostergaard Family Trust | 31,605 | - |
| June 2015 - Costs of share issues | (330,000) | - |
| Total | 12,171,805 | 1,250,224 |

The Company has unlimited authorised capital.

There are no restrictions on distributions of dividends or repayment of capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 14: ISSUED CAPITAL (CONTINUED)

Loss on Conversion of Debt to Equity

The following shares in Norwood Systems Ltd were granted in June 2015 as part of the transaction described in note 17:

- 82,042,337 shares in the Company were issued on conversion of Norwood Systems (Aust) Pty Ltd convertible notes with a total value of \$1,198,269. The fair value of these shares was \$1,640,847 based on the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$442,578 in relation to the difference between the convertible note amount and the fair value of shares issued to extinguish the liability.
- 18,302,230 shares in the Company were issued in satisfaction of Norwood Systems (Aust) Pty Ltd trade creditors with a total value of \$307,839. The fair value of these shares was \$366,045 based in the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$58,206 in relation to the difference between the creditor amount and the fair value of shares issued to extinguish the liability.
- 9,073,265 shares in the Company were issued to original Norwood investors for a subscription value of \$11. The fair value of these shares was \$181,465 based on the issue price of \$0.02. The Group has recognised a loss of \$181,454 in relation to the difference between the subscription value and the fair value of shares issued.
- 1,580,266 shares in the Company were issued in satisfaction of an outstanding loan of \$24,906 from Ostergaard Family Trust. The fair value of these shares was \$31,605 based on the issue price of \$0.02. As a result of the conversion, the Group has recognised a loss of \$6,699 in relation to the difference between the loan amount and the fair value of shares issued to extinguish the liability.

Capital Management

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group was not subject to any externally imposed capital requirements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 15: SHARE BASED PAYMENT RESERVE

| | 2015 | 2014 |
|--|----------------------|----------------------|
| | Number of Options | Number of Options |
| Issued Options | 25,970,401 | - |
| Opening balance | - | - |
| June 2015 – Norwood Systems Ltd options on issue at acquisition date | 9,000,000 | - |
| June 2015 – Issue of options to Norwood advisors and management (note 21(b)) | 1,970,401 | - |
| June 2015 – Issue of advisor options (note 21(b)) | 15,000,000 | - |
| Total | 25,970,401 | - |
| | 2015 | 2014 |
| | \$ | \$ |
| Issued Options | 352,984 | - |
| Opening balance | - | - |
| June 2015 – Issue of options to Norwood advisors and management (note 21(b)) | 40,984 | - |
| June 2015 – Issue of advisor options (note 21(b)) | 312,000 | - |
| Total | 352,984 | - |

Nature and Purpose of Reserve

The share based payment reserve records the value of share options issued to the Company's directors, employees, and third parties. The value of the amount disclosed during the period 2015 reflects the value of options issued by Norwood Systems Ltd post reverse acquisition.

NOTE 16: ACCUMULATED LOSSES

| | 2015 | 2014 |
|---------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Accumulated Losses | (8,134,222) | (2,251,266) |
| Opening balance | (2,251,266) | (1,081,185) |
| Net loss for the financial year | (5,882,956) | (1,170,081) |
| Total | (8,134,222) | (2,251,266) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 17: REVERSE ACQUISITION ACCOUNTING

On 8 June 2015 Norwood Systems Ltd (formerly Monteray Mining Group Ltd) completed the legal acquisition of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd). Under the Australian Accounting Standards Norwood Systems (Aust) Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Norwood Systems (Aust) Pty Ltd acquires the net assets and listing status of Norwood Systems Ltd.

(a) Deemed Consideration

The purchase consideration was the issue of 368,058,888 shares in Norwood Systems Ltd (legal parent) to the shareholders of Norwood Systems (Aust) Pty Ltd deemed to have a value of \$3,531,619 determined as follows:

| | |
|---|--------------------|
| Quoted share price on 4 May 2015 | \$0.027 |
| Norwood Systems Ltd shares on issue at acquisition date | 130,800,710 |
| Deemed consideration | \$3,531,619 |

Norwood Systems Ltd also issued a total of 157,739,522 Performance Shares to the shareholders of Norwood Systems (Aust) Pty Ltd which convert to Ordinary Fully Paid Shares on a one for one basis following the achievement of the performance milestones before the expiry date as outlined below:

- 78,869,761 Class A Performance Shares convert 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. The expiry date of the Class A Performance Shares is 9 December 2017; and
- 78,869,761 Class B Performance Shares convert upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000. The expiry date of the Class B Performance Shares is 9 June 2018.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the two performance milestones which are based on future events.

(b) Deemed Norwood Systems Ltd Share Capital

| | |
|--|------------------|
| | \$ |
| Historical issued capital balance at 30 June 2014 | 11,909,484 |
| Issue of Non-Renounceable Rights Issue Shares prior to acquisition | 654,004 |
| Issue cost of Non-Renounceable Rights Issue Shares | (84,454) |
| Norwood Systems Ltd share capital at acquisition date | 12,479,034 |
| Elimination of Norwood Systems Ltd issued capital | (12,479,034) |
| Deemed consideration as per note 17(a) | 3,531,619 |
| Total Norwood Systems Ltd share capital on completion of transaction | 3,531,619 |

(c) Norwood Systems Ltd Share Based Payment Reserve

| | |
|--|-------------|
| | \$ |
| Historical share based payment reserve at 30 June 2014 | 2,015,107 |
| Norwood Systems Ltd share based payment reserve at acquisition date | 2,015,107 |
| Elimination of Norwood Systems Ltd share based payment reserve | (2,015,107) |
| Total Norwood Systems Ltd share based payment reserve on completion of transaction | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 17: REVERSE ACQUISITION ACCOUNTING (CONTINUED)

(d) Norwood Systems Ltd Accumulated Losses Pre-Completion

| | |
|--|--------------|
| | \$ |
| Historical accumulated losses at 30 June 2014 | (13,670,730) |
| Loss incurred from 1 July 2014 to 8 June 2015 | (762,635) |
| Norwood Systems Ltd accumulated losses at acquisition date | (14,433,365) |
| Elimination of Norwood Systems Ltd accumulated losses | 14,433,365 |
| | <u>-</u> |

(e) Assets and Liabilities Acquired

| | |
|---|-----------------------|
| | \$ |
| Cash and cash equivalents | 78,909 |
| Other receivables | 80,153 |
| Prepayments | 330,000 |
| Loan receivable from Norwood Systems (Aust) Pty Ltd | 257,750 |
| Total assets | <u>746,812</u> |
| Trade and other payables | 686,037 |
| Total liabilities | <u>686,037</u> |
| Net assets | <u>60,775</u> |

(f) Listing Expense

| | |
|---|-------------------------|
| Deemed consideration | 3,531,619 |
| Less: net assets of Norwood Systems Ltd pre-acquisition | (60,775) |
| Total Norwood Systems Ltd losses on completion of transaction (listing expense) | <u>3,470,844</u> |

NOTE 18: GROUP ENTITIES

Parent Entity

While the accounting parent of the Group is Norwood Systems (Aust) Pty Ltd, the legal and ultimate parent of the Group is Norwood Systems Ltd.

The consolidated financial statements include the financial statements of Norwood Systems (Aust) Pty Ltd as accounting parent and the subsidiaries listed in the following table.

| Name | Country of Incorporation | % Equity Interest 2015 | % Equity Interest 2014 |
|---|---------------------------------|-------------------------------|-------------------------------|
| Norwood Systems Ltd | Australia | 100% | - |
| Norwood Systems (UK) Pty Ltd | Australia | 100% | - |
| Aberystwyth Nominees Pty Ltd ⁽¹⁾ | Australia | - | - |
| Eburnean Resources Pty Ltd | Australia | 100% | - |
| Vema Resources Pty Ltd | Australia | 100% | - |
| Monteray Mining Burkina SARL | Burkina Faso | 100% | - |

⁽¹⁾ De-registered 14 January 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 19: OPERATING CASH FLOW INFORMATION

| | Consolidated 2015 \$ | Parent 2014 \$ |
|---|-------------------------------------|-------------------------------|
| Reconciliation of cash flow from operations with loss after income tax | | |
| Loss for the year | (5,882,956) | (1,170,081) |
| <i>Non-cash items</i> | | |
| Listing expense | 3,470,844 | - |
| Loss on conversion of debt to equity | 688,937 | - |
| Share based payments | 352,984 | - |
| Depreciation | 536 | 544 |
| <i>Changes in Assets and Liabilities</i> | | |
| (Increase) / Decrease in Trade and Other Receivables | 298,902 | (31,055) |
| Increase / (Decrease) in Trade and Other Payables | (426,811) | 435,906 |
| Increase / (Decrease) in Provisions | 65,899 | - |
| Cash flows used in operations | (1,431,665) | (764,686) |

(a) Non-cash Investing and Financing Activities

The Company issued the following securities in respect its acquisition of Norwood Systems (Aust) Pty Ltd (formerly Norwood Systems Pty Ltd) as described in Note 17:

- 368,058,888 ordinary shares and 157,739,522 Performance Shares to the shareholders of Norwood Systems (Aust) Pty Ltd as described in Note 17;
- 82,042,337 ordinary shares were issued on conversion of Norwood Systems (Aust) Pty Ltd as described in notes 13 and 14;
- 18,302,230 ordinary shares in the Company were issued in satisfaction of Norwood Systems (Aust) Pty Ltd trade creditors as described in note 14;
- 9,073,265 ordinary shares in the Company were issued to original Norwood investors for a subscription value of \$11 as described in note 14; and
- 1,580,266 shares in the Company were issued in satisfaction of an outstanding loan of \$24,906 from Ostergaard Family Trust as described in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 20: AUDITOR'S REMUNERATION

| | Consolidated | Parent |
|--|---------------------|---------------|
| | 2015 | 2014 |
| | \$ | \$ |
| The auditor of Norwood Systems Ltd is BDO Audit (WA) Pty Ltd | | |
| <i>Amounts received or due and receivable by BDO for:</i> | | |
| Audit and review services | 20,000 | - |
| Non-audit services | - | - |
| | | |
| The auditor of Norwood Systems (Aust) Pty Ltd prior to being acquired by Norwood Systems Ltd was Ernst & Young | | |
| <i>Amounts received or due and receivable by Ernst & Young for:</i> | | |
| Audit and review services | 67,026 | 15,000 |
| Non-audit services – research and development tax services | 35,000 | 46,906 |
| Non-audit services – Investigating Accountants Report | 15,000 | - |
| | 117,026 | 61,906 |

NOTE 21: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2015 are summarised below. There were no share based payments made during the year ended 30 June 2014.

(a) Recognised Share Based Payment Expense

| | Consolidated | Parent |
|--|---------------------|---------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Expense arising from equity settled share based payment transactions | 352,984 | - |

(b) Options Granted During the Year

The Company granted the following options in June 2015:

- 1,970,401 unlisted options exercisable at \$0.02 on or before 9 June 2018 and having a total value of \$40,984 were granted to advisors and employees of Norwood pursuant to the Norwood Option Offer; and
- 15,000,000 unlisted options exercisable at \$0.02 on or before 9 June 2018 and having a total value of \$312,000 were granted to advisors of the Company as consideration for corporate services received.

In the absence of a vendor invoice providing a reliable indication of fair value, these options were valued using a Black-Scholes option pricing model with the following inputs:

| | 2015 |
|----------------------------------|-------------|
| Dividend yield | - |
| Expected volatility | 125% |
| Risk-free interest rate | 2.25% |
| Expected life of options (years) | 3 |
| Option exercise price | \$0.02 |
| Share price at grant date | \$0.027 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 21: SHARE BASED PAYMENTS (CONTINUED)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated in the measurement of fair value.

(d) Summary of Options Granted

| | Consolidated | | Parent | |
|--|---------------------|-------------|---------------|-------------|
| | 2015 | WAEP | 2014 | WAEP |
| Outstanding at the beginning of the year | - | - | - | - |
| Granted during the year | 16,970,401 | \$0.02 | - | - |
| Exercised during the year | - | - | - | - |
| Acquired on the acquisition of Norwood Systems Ltd | 9,000,000 | \$0.27 | - | - |
| Outstanding at the end of the year | 25,970,401 | \$0.11 | - | - |
| Vested and exercisable | 25,970,401 | \$0.11 | - | - |

The 30 June 2015 balance is represented by the following:

| Number of Options | Exercise Price | Expiry Date |
|--------------------------|-----------------------|--------------------|
| 2,000,000 | \$0.25 | 30/11/2015 |
| 4,000,000 | \$0.25 | 30/11/2016 |
| 1,000,000 | \$0.30 | 8/10/2015 |
| 1,000,000 | \$0.40 | 8/10/2016 |
| 1,000,000 | \$0.25 | 30/11/2016 |
| 16,970,401 | \$0.02 | 9/6/2018 |

(e) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of options outstanding at 30 June 2015 is 2.29 years (2014: n/a).

(f) Range of Exercise Prices and Weighted Average Share Price at the Date of Exercise

The range of exercise prices for options outstanding at the end of the year was \$0.02 - \$0.40 (2014: n/a). There were no options exercised in the current or prior year.

(g) Weighted Average Fair Value

The weighted average fair value of options granted during the current year was \$0.0208 (2014: n/a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 22: PARENT ENTITY INFORMATION

| | 2015 \$ | 2014 \$ |
|---|-------------------|----------------|
| Assets | | |
| Current assets | 4,271,150 | 359,378 |
| Non-current assets | 6,101,523 | 536 |
| Total Assets | 10,372,673 | 359,914 |
| Liabilities | | |
| Current liabilities | 104,591 | 105,974 |
| Non-current liabilities | - | - |
| Total Liabilities | 104,591 | 105,974 |
| Net Assets | 10,268,082 | 253,940 |
| Equity | | |
| Issued capital | 23,400,615 | 11,909,484 |
| Reserves | 2,368,091 | 2,015,107 |
| Accumulated losses | (15,500,624) | (13,670,651) |
| Total Equity | 10,268,082 | 253,940 |
| Loss of the parent entity | (1,829,973) | (2,825,475) |
| Total comprehensive loss of the parent entity | (1,829,973) | (2,825,475) |

The contingent liabilities of the Company are the same as the contingent liabilities of the Group as disclosed at note 27.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 23: SEGMENT INFORMATION

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated Group. The Group's primary business segment is the provision of voice telecommunication services. The Company operates in one segment, voice telecommunication services.

| | Voice Telecommunication Services | | Corporate | | Total | |
|---------------------------------------|----------------------------------|--------------------|--------------------|-------------|--------------------|--------------------|
| | Consolidated 2015 | Parent 2014 | Consolidated 2015 | Parent 2014 | Consolidated 2015 | Parent 2014 |
| Segment income | | | | | | |
| Interest received | - | 1,434 | 3,235 | - | 3,235 | 1,434 |
| Government grant income | 65,195 | 331,074 | - | - | 65,195 | 331,074 |
| Other income | 4,250 | - | - | - | 4,250 | - |
| Total income | 69,445 | 332,508 | 3,235 | - | 72,680 | 332,508 |
| Segment expenses | | | | | | |
| Operating expenses | (1,413,762) | (1,502,045) | (28,573) | - | (1,442,335) | (1,502,045) |
| Listing expenses | - | - | (3,470,844) | - | (3,470,844) | - |
| Loss on conversion of debt to equity | - | - | (688,937) | - | (688,937) | - |
| Share based payment expenses | - | - | (352,984) | - | (352,984) | - |
| Loss before depreciation | (1,344,317) | (1,169,537) | (4,538,103) | - | (5,882,420) | (1,169,537) |
| Depreciation | (536) | (544) | - | - | (536) | (544) |
| Loss before income tax | (1,344,853) | (1,170,081) | (4,538,103) | - | (5,882,956) | (1,170,081) |
| Segment assets and liabilities | | | | | | |
| Cash | 379,095 | 25,365 | 4,166,964 | - | 4,546,059 | 25,365 |
| Other receivables | 67,347 | 331,074 | 104,187 | - | 171,534 | 331,074 |
| Plant and equipment | 1,779 | 1,268 | - | - | 1,779 | 1,268 |
| Trade and other creditors | (109,452) | (518,106) | (104,591) | - | (214,044) | (518,106) |
| Provisions | (114,761) | - | - | - | (114,761) | - |
| Borrowings | - | (131,255) | - | - | - | (131,255) |
| Convertible notes | - | (709,388) | - | - | - | (709,388) |
| Net assets | 224,009 | (1,001,042) | 4,166,560 | - | 4,390,567 | (1,001,042) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 24: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, and payables.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Group's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Statement of Financial Position or in the notes.

(d) Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Consolidated Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

There are no financial instruments at fair value at 30 June 2015 (2014: nil).

(e) Credit Risk

(i) Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Consolidated | Parent |
|-----------------------------------|---------------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Financial Assets - Current | | |
| Cash and cash equivalents | 4,546,059 | 25,365 |
| Trade and other receivables | 171,534 | 331,074 |
| Total Financial Assets | 4,717,593 | 356,439 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Interest Rate Risk

The Group's maximum exposure to interest rates at the reporting date was:

| | Range of Effective Interest Rate (%) | Carrying Amount \$ | Interest Rate Exposure | | | Total \$ |
|--|--------------------------------------|--------------------|---------------------------|-------------------------|------------------------|-----------|
| | | | Variable Interest Rate \$ | Non Interest Bearing \$ | Fixed Interest Rate \$ | |
| Consolidated 2015 | | | | | | |
| Financial Assets - Current | | | | | | |
| Cash and cash equivalents | Nil – 3 | 4,546,059 | 4,546,059 | - | - | 4,546,059 |
| Parent 2014 | | | | | | |
| Financial Assets - Current | | | | | | |
| Cash and cash equivalents | Nil – 4 | 25,365 | 25,365 | - | - | 25,365 |
| Financial Liabilities - Current | | | | | | |
| Convertible notes | 6 | 694,219 | - | - | 694,219 | 694,219 |

(iii) Trade and Other Receivables

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date was:

| | Carrying Amount \$ | Not past due and not impaired \$ | Past due but not impaired | | | Impaired Financial Assets \$ |
|-----------------------------------|--------------------|----------------------------------|---------------------------|-----------------------|----------------------|------------------------------|
| | | | 1-3 Months \$ | 3 Months to 1 Year \$ | 1 Year to 5 Years \$ | |
| Consolidated 2015 | | | | | | |
| Financial Assets - Current | | | | | | |
| Trade and other receivables | 171,534 | 171,534 | - | - | - | - |
| Parent 2014 | | | | | | |
| Financial Assets - Current | | | | | | |
| Trade and other receivables | 331,074 | 331,074 | - | - | - | - |

(f) Liquidity Risk

(i) Exposure to Liquidity Risk

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|----------------------|------------------|
| Financial Liabilities - Current | | |
| Trade and other payables | 214,044 | 518,106 |
| Borrowings | - | 131,255 |
| Convertible notes | - | 694,219 |
| Convertible note interest | - | 15,169 |
| Total Financial Liabilities | 214,044 | 1,358,749 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2015

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Contractual Maturity Risk

The following table discloses the contractual maturity analysis at the reporting date:

| Consolidated 2015 Financial Instrument | 6-12 months \$ | 1 year or less \$ | Over 1 to 5 years \$ | More than 5 years \$ | Total \$ |
|---|-------------------------------|----------------------------------|-------------------------------------|---|---------------------|
| Financial Assets | | | | | |
| Cash | 4,546,059 | - | - | - | 4,546,059 |
| Other debtors | 171,534 | - | - | - | 171,534 |
| Total financial assets | 4,717,593 | - | - | - | 4,717,593 |
| Financial Liabilities | | | | | |
| Trade payables | 132,225 | - | - | - | 132,225 |
| Other payables | 81,819 | - | - | - | 81,819 |
| Total financial liabilities | 214,044 | - | - | - | 214,044 |
| Parent 2014 Financial Instrument | | | | | |
| Financial Instrument | 6-12 months \$ | 1 year or less \$ | Over 1 to 5 years \$ | More than 5 years \$ | Total \$ |
| Financial Assets | | | | | |
| Cash | 25,365 | - | - | - | 25,365 |
| Other debtors | 331,074 | - | - | - | 331,074 |
| Total financial assets | 356,439 | - | - | - | 356,439 |
| Financial Liabilities | | | | | |
| Trade payables | 314,914 | - | - | - | 314,914 |
| Other payables | 203,192 | - | - | - | 203,192 |
| Borrowings | 131,255 | - | - | - | 131,255 |
| Convertible notes | - | 694,219 | - | - | 694,219 |
| Convertible note interest | 15,169 | - | - | - | 15,169 |
| Total financial liabilities | 664,530 | 694,219 | - | - | 1,358,749 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 24: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Market Risk

(i) Currency Risk

The Group's primary operations were in Australia during the years ended 30 June 2015 and 30 June 2014 and therefore had minimal exposure to foreign exchange risk.

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is Cash as set out in Note 24(e)(ii). The group is not exposed to debt interest rate risk as there is nil debt for 2015 (2014: no exposure as borrowings bear interest at a fixed rate).

(iii) Other Price Risk

There are no other price risks of which the Group is aware.

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Group believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Group at year end as presented to key management personnel, if changes in the relevant risk occur.

| | Carrying Amount \$ | Interest Rate Risk | | | |
|-----------------------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | | +1% Profit \$ | +1% Equity \$ | -1% Profit \$ | -1% Equity \$ |
| Consolidated 2015 | | | | | |
| Financial Assets - Current | | | | | |
| Cash and cash equivalents | 4,546,059 | 32 | 32 | (32) | (32) |
| Parent 2014 | | | | | |
| Financial Assets - Current | | | | | |
| Cash and cash equivalents | 25,365 | - | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

| | Consolidated 2015⁽ⁱ⁾ \$ | Parent 2014⁽ⁱ⁾ \$ |
|------------------------------|---|---|
| Short-term employee benefits | 274,317 | 120,000 |
| Post-employment benefits | 25,091 | 11,100 |
| Total | 299,408 | 131,100 |

¹Disclosures above relate to Norwood Systems (Aust) Pty Ltd pursuant to the Australian Accounting Standards while disclosures in the remuneration report relate to Norwood Systems Ltd pursuant to the Corporations Act 2001.

(b) Loans with Key Management Personnel

Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

Ocean Broadband Ltd, a company of which Mr Paul Ostergaard is a Director and Shareholder, shared office space and employees with Norwood Systems (Aust) Pty Ltd until approximately 30 June 2015. A loan balance has arisen between Norwood Systems (Aust) Pty Ltd and Ocean Broadband Ltd as a result of these shared transactions and cash transfers. Movements in the loan account during the year are as follows:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Opening balance payable by the Group | 128,258 | 142,743 |
| Loans proceeds received/(advanced) | (63,668) | 57,515 |
| Repaid through the issue of 6,678,583 shares in the Company ¹ | (105,059) | - |
| Cash repayments | - | (72,000) |
| Total payable by/(receivable due to) the Group | (40,469) | 128,258 |

¹Refer to note 14 – these 6,678,583 shares are included in the 18,302,230 trade creditor settlement shares issued as part of the transaction described in note 17. \$105,059 is the value of the liability settled through the issue of the 6,678,583 shares; the fair value of these shares is \$133,572 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$28,513 on the conversion of this liability.

Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

The Company has a loan account with the Ostergaard Family Trust, the movements in which are as follows:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|--|-------------------------------------|-------------------------------|
| Opening balance | - | - |
| Loans proceeds received | 24,906 | - |
| Repaid through the issue of 9,579 shares in the Company ² | (24,906) | - |
| Loans advanced | 18,739 | - |
| Total receivable due to the Group | 18,739 | - |

²Refer to note 14. \$24,906 is the value of the liability settled through the issue of the 9,579 shares; the fair value of these shares is \$31,605 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$6,699 on the conversion of this liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Chillcast Pty Ltd (Mr Paul Ostergaard – Managing Director, appointed 8 June 2015)

At 30 June 2015 the Group owed Chillcast Pty Ltd, a Company of which Paul Ostergaard is a director, nil (30 June 2014: nil). Movements in the loan account during the year are as follows:

| | Consolidated 2015 \$ | Parent 2014 \$ |
|------------------------|-------------------------------------|-------------------------------|
| Opening balance | - | 25,000 |
| Loans advanced | - | - |
| Loan repayments made | - | - |
| Transferred | - | (25,000) |
| Closing balance | - | - |

(c) Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman, resigned 20 January 2015)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2015 is as follows:

| | Consolidated 2015 \$ | Norwood Systems Ltd 2014 \$ |
|---|-------------------------------------|--|
| Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office | 108,275 | 108,625 |
| Corporate advisory services in respect of the acquisition of Norwood Systems (Aust) Pty Ltd | 55,900 | - |
| Total | 164,175 | 108,625 |

The total amount of fees due to Ventnor Capital Pty Ltd as at 30 June 2015 was \$7,608 (2014: \$24,026).

Shadwick Nominees Pty Ltd (Mr Michael Edwards)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided CEO services to the Company during the year. A total amount of \$76,073 (2014: \$78,500) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2015. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2015 was \$8,000 (2014: \$4,000).

Ariadne Capital Ltd (Mr Amit Pau – Non-Executive Director, appointed 8 June 2015)

Ariadne Capital Ltd, a Company of which Mr Amit Pau is a Director, received 8,260,766 shares in the Company in satisfaction of \$148,973 of outstanding consulting fees. The fair value of these shares is \$165,215 based on the issue price of \$0.02. Accordingly, the Group has recognised a loss of \$16,242 on the conversion of this liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 26: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the official launch of **World Phone** on 27 July 2015, **World Phone** global and viral adoption has been accelerating with the app downloaded in excess of 50,000 times as of 18 August 2015, representing a 400% growth in the two week period from launch. Downloads of World Phone continue to grow at a significant rate, alongside increases in early revenues from in-app calling time, monthly subscriptions and Personal Phone Numbers. The trend of in-app purchases to download ratio (i.e. conversion from downloader to paying customer) continues to increase.

The Company announced a less than marketable parcel share sale on 4 August 2015. The less than marketable parcel share sale applies to the Company's 1,801 shareholders who on record date (3 August 2015) held less than 17,857 shares each. The Company is offering the sale facility to assist holders of less than marketable parcels to sell shares without having to use a broker or pay brokerage. The Company will pay all costs of the sale for shareholders who use this facility, excluding tax consequences from the sale which remains the shareholder's responsibility. Shareholders with a less than marketable parcel who wish to retain their shareholding need to give the Company written notice of this intention no later than 5:00pm (WST) on 22 September 2015 otherwise their shares will be sold by the Company. No action is required if eligible shareholders wish to sell their shares through the sale facility.

Apart from the event discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 27: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2015.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the accompanying financial statements set out on pages 29 to 61 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2015.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Mr Paul Ostergaard
Managing Director
14 September 2015

INDEPENDENT AUDITOR'S REPORT

To the members of Norwood Systems Limited

Report on the Financial Report

We have audited the accompanying financial report of Norwood Systems Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Norwood Systems Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Norwood Systems Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Norwood Systems Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch

Director

Perth, 14 September 2015

NORWOOD SYSTEMS LTD
ACN: 062 959 540

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 3 September 2015 is 774,859,598 ordinary fully paid shares, All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 3 SEPTEMBER 2015

| | No. of Shares Held | % Held |
|--|-------------------------------|---------------|
| 1 PAUL FREDERICK NORWOOD OSTERGAARD | 166,548,681 | 21.49% |
| 2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 30,668,289 | 3.96% |
| 3 OCEAN BROADBAND LTD | 26,474,796 | 3.42% |
| 4 KAMUZU NOMINEES PTY LTD | 22,000,000 | 2.84% |
| 5 CORREZE PTY LTD | 19,550,838 | 2.52% |
| 6 WOODROFFE INVESTMENTS (VIC) PTY LTD | 17,983,752 | 2.32% |
| 7 CITICORP NOMINEES PTY LIMITED | 17,508,001 | 2.26% |
| 8 MICHAEL FOTIOS | 15,453,443 | 1.99% |
| 9 MR ROBERT EDWARD MCCLEAVE | 15,000,000 | 1.94% |
| 10 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 11,000,010 | 1.42% |
| 11 MISS SHEREN MOSTAFA | 10,450,000 | 1.35% |
| 12 MR BENJAMIN PHILLIPE GRENIER | 10,000,000 | 1.29% |
| 13 RIVERVIEW CORPORATION PTY LTD | 9,776,354 | 1.26% |
| 14 DELTA RESOURCE MANAGEMENT PTY LTD | 9,468,339 | 1.22% |
| 15 JAEK HOLDINGS PTY LTD | 9,031,992 | 1.17% |
| 16 MR ELYAS KHALIQI | 8,870,000 | 1.14% |
| 17 JOHN GNUSE | 8,432,998 | 1.09% |
| 18 ARIADNE CAPITAL LIMITED | 8,260,766 | 1.07% |
| 19 MULLOWAY PTY LTD | 6,808,287 | 0.88% |
| 20 MR MING LIN | 6,250,000 | 0.81% |
| | 241,277,792 | 43.88% |

Shares Range

| | No. of Holders | No. of Shares |
|---|-----------------------|--------------------------|
| 1 - 1,000 | 1,576 | 183,516 |
| 1,001 – 5,000 | 89 | 229,370 |
| 5,001 – 10,000 | 58 | 509,368 |
| 10,001 – 100,000 | 454 | 23,589,530 |
| 100,001 and over | 517 | 750,347,814 |
| Total | 2,694 | 774,859,598 |
| Holdings less than a marketable parcel | 1,816 | 3,375,596 |

Shareholders by Location

| | No. of Holders | No. of Shares |
|--------------------|-----------------------|--------------------------|
| Australian holders | 2,541 | 725,724,884 |
| Overseas holders | 153 | 49,134,714 |
| Total | 2,694 | 774,859,598 |

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

NORWOOD SYSTEMS LTD
ACN: 062 959 540

ASX ADDITIONAL INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS AS AT 3 SEPTEMBER 2015

| | No. of Shares Held | % Held |
|-------------------------------------|-------------------------------|---------------|
| 1 Paul Frederick Norwood Ostergaard | 166,548,681 | 21.49% |

OPTION HOLDINGS

The Company has the following classes of options on issue at 3 September 2015 as detailed below. Options do not carry any rights to vote.

| Class | Terms | No. of Options |
|--------------|---|-----------------------|
| NOROP2 | Unlisted Options Exercisable at \$0.25 expiring on or before 29 November 2015 | 2,000,000 |
| NOROP3 | Unlisted Options Exercisable at \$0.25 expiring on or before 29 November 2016 | 4,000,000 |
| NOROP4 | Unlisted Options Exercisable at \$0.30 expiring on or before 8 October 2015 | 1,000,000 |
| NOROP5 | Unlisted Options Exercisable at \$0.40 expiring on or before 8 October 2016 | 1,000,000 |
| NOROP6 | Unlisted Options Exercisable at \$0.25 expiring on or before 30 November 2016 | 1,000,000 |
| NOROP7 | Unlisted Options Exercisable at \$0.02 expiring on or before 9 June 2018 | 1,970,401 |
| NOROP8 | Unlisted Options Exercisable at \$0.02 expiring on or before 9 June 2018 | 15,000,000 |
| | | 25,970,401 |

| Options Range | Unlisted Options | |
|----------------------|---------------------------|-----------------------|
| | No. of Holders | No. of Options |
| 1 - 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | - | - |
| 100,001 and over | 14 | 25,970,401 |
| | 14 | 25,970,401 |

The following Option holders hold more than 20% of a particular class of the Company's Unlisted Options.

| Holder | Unlisted Options | | | | |
|-------------------------|-------------------------|---------------|---------------|---------------|---------------|
| | NOROP2 | NOROP3 | NOROP4 | NOROP5 | NOROP6 |
| Ventnor Capital Pty Ltd | 2,000,000 | - | - | - | - |
| Mr. K Dart | - | 1,000,000 | - | - | - |
| Mr. A Barblett | - | 1,000,000 | - | - | - |
| Mr. J Hannaford | - | 1,000,000 | - | - | - |
| Mr. S Cole | - | 1,000,000 | - | - | - |
| Vema Resources Pty Ltd | - | - | 1,000,000 | 1,000,000 | - |
| Mr. A Habets | - | - | - | - | 1,000,000 |

| Holder | Unlisted Options | |
|---------------------|-------------------------|---------------|
| | NOROP7 | NOROP8 |
| Mr Russell Jones | 1,138,674 | |
| Mr Steve Vonderhaar | 831,727 | |
| Gold Resources Ltd | - | 15,000,000 |

ASX ADDITIONAL INFORMATION (CONTINUED)

PERFORMANCE SHARE HOLDINGS

The Company has the following classes of performance shares on issue at 3 September 2015 as detailed below. Performance shares do not carry any rights to vote.

| Class | Terms | No. of Perf Shares |
|-----------------------------|---|--------------------|
| NORPERFA Performance Shares | Class A Performance Shares with various conditions ¹ | 78,869,761 |
| NORPERFB Performance Shares | Class B Performance Shares with various conditions ² | 78,869,761 |
| | | 157,739,522 |

(1) Conversion and expiry of Norwood Class A Performance Shares:-

Upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period, each Norwood Class A Performance Share will convert into a Share on a one for one basis.

The Class A Milestone must be achieved on or before 8 December 2017.

(2) Conversion and expiry of Norwood Class B Performance Shares:-

Upon Norwood generating gross revenue for any 12 month consecutive period of at least \$3,000,000 each Norwood Class B Performance Share will convert into a Share on a one for one basis.

The Class B Milestone must be achieved on or before 8 June 2018.

| Performance Shares Range | Performance Shares No. of Holders | No. of Perf shares |
|--------------------------|--------------------------------------|--------------------|
| 1 - 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | 3 | 376,930 |
| 100,001 and over | 46 | 157,362,592 |
| | 49 | 157,739,522 |

The following Performance Share holders hold more than 20% of a particular class of the Company's Performance Shares.

| Holder | NORPERFA | NORPERFB |
|-----------------------------------|------------|------------|
| Paul Frederick Norwood Ostergaard | 35,689,003 | 35,689,003 |

SCHEDULE OF MINING TENEMENTS

Burkina Faso

| Name | Permit | Registered Holder |
|-----------|----------|------------------------------|
| Bilakongo | 2011-006 | 100% Monteray Mining Burkina |
| Kana | 2009-270 | 100% Monteray Mining Burkina |
| Dobokuy | 2011-005 | 100% Monteray Mining Burkina |
| Tigan | 2012-072 | 100% Vema Resources |