

ASX ANNOUNCEMENT

30 April 2018

Norwood Corporate Overview and Appendix 4C for March 2018 Quarter

Highlights

- Ongoing deepening of channel partner relationships with Oracle and Veritas.
- World Wi-Fi and World Secure launches underpin continued Loyalty and Travel segment discussions.
- Strong support for \$2 million capital raising during the quarter and post quarter end.

“Virtual Mobile Communications” pioneer Norwood Systems Ltd (Norwood or the Company) (ASX: NOR) is pleased to provide an overview of the Company’s activities for the March 2018 quarter and the accompanying Appendix 4C cashflow report.

Norwood has achieved significant client progress in 2018 across its targeted key segments: Virtual Business Mobile Services (VBMS), Compliance, CRM, Cyber Security and Loyalty, with pipeline and contract negotiation activity advancing robustly in all segments.

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

*“This has been a strong quarter for Norwood, both in continued interest from top tier partners such as Oracle in our Corona compliance solutions, and in re-energised interest from travel and loyalty prospects in the now launched **World Wi-Fi** and **World Secure** products.”*

“I’d also like to thank shareholders and the market for their continued support for Norwood’s strategy and vision this quarter, via the placement and share purchase plan. We value the trust shareholders have placed in us, and look forward to pursuing our commercialisation objectives over the coming quarters.”

Sales and Commercialisation Activities

Norwood released a comprehensive market update on sales & commercialisation activities to the ASX today, 30 April 2018. The update covers details from existing contracts, strategic partnerships, and other pipeline updates. This includes the latest detail on the Oracle strategic partnership, the JMP contract, Commsys contract, Oceaneering contract, Cytec contract, Loyalty Partners (such as RAC, Visa and Affinion), and ongoing discussions with Veritas, Global Relay and Addcom. In the Virtual Business Mobile Services market, Norwood is continuing to see encouraging development and progress in sales interactions with small, medium and large Australian firms for uptake of its core B2B offering.

As noted in the update, Norwood remains highly confident in the ability of its suite of products and services to deliver on the Company’s long-term objectives, particularly given the interest shown by major international partners such as Oracle and Veritas. In particular there are a number of opportunities for near term upfront revenue, both on the loyalty side and on the enterprise side, that the Company considers to be highly encouraging evidence that its refreshed portfolio of virtual mobile services, Corona CRM, Corona Compliance, World Secure and World Wi-Fi is gaining traction in the market.

The feedback that Norwood has received in its recent interactions with large potential and prospective partners is that they are drawn to Norwood due to the perceived strength and spread of Norwood's portfolio of differentiated and novel mobile services. Norwood is greatly encouraged by this feedback and is re-doubling its efforts to convert it into secured deals with meaningful upfront and ongoing revenue.

Shareholders are encouraged to refer to the market update dated 30 April 2018 in full on the ASX website at <https://www.asx.com.au/asx/share-price-research/company/NOR>.

Additional Business Development Activities

Norwood is also pleased to confirm that the World Secure platform has been publicly referenced in key industry research published by Gartner. Gartner is an American research and advisory firm providing information technology related insight for IT and other business leaders located across the world, specifically targeted at CIOs, senior IT, marketing and supply chain leaders. Gartner's research is a key first point of call for any senior IT professional investigating a product solution for their business.

Product Development Activities



World Secure



World Phone



World Message



World Wi-Fi

Norwood's Full App Portfolio

World Secure

During the quarter, Norwood completed the development of World Secure, and launched the product for both iOS and Android.

World Secure is a revolutionary automated VPN security tool that enables employees in information-sensitive industries to automatically **Secure-and-Forget™** their smartphones' wireless data network traffic, *in particular when accessing potentially insecure external Wi-Fi networks*. **World Secure** also lets organisations easily adjust staff members' VPN security profiles on the fly in response to evolving cyber-security threats.

Uniquely, **World Secure** secures employees' smartphone Internet sessions **automatically** when they are connected to public, insecure Wi-Fi networks, or in response to the organisation's real-time policy for newly discovered threats to secured Wi-Fi.

Norwood is seeing encouraging early interest for World Secure both in the B2C and in the B2B segments that Company serves. Norwood will provide further updates on World Secure, as such and when discussions mature into revenue-bearing agreements.

World Wi-Fi

During the quarter, Norwood also launched World Wi-Fi, the Company's new app for easily discovering and accessing Wi-Fi networks, on the Apple iOS App Store.

World Wi-Fi uses Norwood's global federated Wi-Fi network to give users access to millions of Wi-Fi access points in a simple, easy to use experience. The App features an innovative Augmented Reality interface to help

users quickly and intuitively find nearby Wi-Fi hotspots, with a clear map to give users a clear understanding of their local coverage at a glance. Connection to the presented Wi-Fi networks is typically accomplished with only 2 clicks, with an on-demand secure VPN automatically established, using the same technology as Norwood's **World Secure** product. **World Secure** and **World Wi-Fi** have been designed to work together so that there is always a single reliable VPN connection set up for the user, even if both Apps are installed on the one device.

World Wi-Fi is receiving traction and interest from the travel and loyalty sector as a potential inclusion as a membership benefit in loyalty programs, or as an add on customer benefit to an associated product sale.

Norwood's engineering team is in the final stages of completing **World Wi-Fi** for Android and the Company will make an announcement when it is released.

World Message & World Phone

World Message 2.0, the Company's high-performance SMS and instant messaging App, was launched during the quarter on the Apple iOS App store.

World Message 2.0 represents a major advance for the highly-acclaimed **World Message** platform, addressing key enterprise requirements and adding important network robustness and scalability capabilities, including features such as enterprise-grade encryption and state-of-the-art back-end server scalability that together can deliver peace of mind and unparalleled reliability for network administrators and users alike.

Norwood has also significantly optimised and polished **World Message's** existing award-winning and top-rated User Interface and User Experience. **World Message** now operates with high performance on iOS 11 and iOS 10 on all recent iPhone hardware platforms from the iPhone 5s to the recently launched iPhone X smartphones, thereby maximising the potential installed base of addressable iPhone users who can use **World Message**.

Streamlined App Deployment for Corporate Clients

Norwood now offers a 'Direct MDM App Provisioning Option' to its Enterprise clients, bypassing the need for their employees to download World Apps personally from the iTunes App Store or Google Play Store. Instead the World Apps are directly provisioned on employee devices using the Enterprise client's Mobile Device Management (MDM) platform.

This new direct deployment option enables Enterprise IT administrators to deploy World Apps immediately on employee smartphones without needing employee involvement or any interaction with the App Stores. This is far more efficient than the existing deployment model where employees were required to manually install the **World Apps** from an App Store.

Coupled with Norwood's **Direct MMD App Configuration** Option, Enterprise IT Administrators now have a zero-touch **World App** deployment model available, allowing for potentially thousands of devices to be provisioned and configured virtually immediately to use Norwood's **Virtual Business Mobiles Services (VBMS)**.

Norwood now offers both **Direct MDM App Provisioning** and **Direct MDM App Configuration** Options for both Android and iOS devices for the following **World Apps: World Phone, World Message and World Secure**.

Norwood also announced it has been accepted into the Apple Developer Enterprise Program, which has supported Norwood's ability to offer a range of Direct MDM deployment capabilities to its Enterprise Clients, including 'per-client' App customisation options.

Corporate

Norwood received strong support for the Company's ongoing commercialisation activities during the quarter, with a successful \$1 million placement conducted at a price of 1.25 cents per share.

Post quarter end, the Company also closed the fully underwritten Share Purchase Plan previously announced on 14 March 2018 ("SPP"), successfully raising the full \$1million in gross proceeds sought under the SPP via the issue of 80m shares at 1.25 cents per share. The SPP allowed eligible shareholders to apply for up to 1.2m or \$15,000 worth of additional shares at an offer price of 1.25 cents per share. This was the same price per share as the \$1million placement announced at the same time as the SPP. In all, shareholders took up \$607,000 in additional shares, just over 60% of the total of the SPP, with the shortfall of the SPP, being \$393,000, placed by the underwriter, Somers & Partners Pty Ltd.

Further support for Norwood was received with the draw down on part of an R&D tax offset funding agreement providing an additional \$356,395, representing 80% of the conservatively estimated R&D tax offset for the six-month period ending 31 December 2017. Full details of this funding arrangement are set out in Norwood's announcement of 19 February 2018.

In accordance with ASX Listing Rule 6.1 confirmation previously given to the Company, Norwood provides the following disclosure for the March 2018 quarter:

- i. There are 78,869,761 unlisted Class B performance shares that convert to ordinary shares on a 1 for 1 basis 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.
- ii. There are 3,927,774 unlisted Class B performance rights that convert to ordinary shares on a 1 for 1 basis 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 8 June 2018.

No performance milestones were met during the period.

<ENDS>

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About Norwood Systems

Norwood Systems Ltd (ASX:NOR) is revolutionizing mobile voice, messaging, data and cyber security services through its pioneering award-winning virtual mobile services platform, Corona® and its award-winning Apps, World Phone®, World Message™, World Secure™ and World Wi-Fi™.

The Company's breakthrough offerings deliver Over the Top (OTT) connectivity, knowledge and intelligence services. Norwood's products and services are targeted at a broad spectrum of prospective customers from individuals through to large enterprises and government agencies.

Norwood has delivered services to more than 6 million customers since launching its platform in mid-2014, servicing people in 200+ countries & territories and 5000+ cities worldwide and has achieved a 4+ App Store rating on all published Apps.

Norwood Systems listed on the ASX in June 2015 and trades with the stock ticker NOR.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

NORWOOD SYSTEMS LIMITED

ABN

15 062 959 540

Quarter ended ("current quarter")

31 MARCH 2018

Consolidated Statement of Cash Flows	Current Quarter \$A'000	Year to Date (9 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	57	181
1.2 Payments for		
(a) research and development	(391)	(1,081)
(b) product manufacturing and operating costs	(191)	(486)
(c) advertising and marketing	(30)	(76)
(d) leased assets	-	-
(e) staff and sales consultants costs	(304)	(927)
(f) administration and corporate costs	(217)	(1,151)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	959
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,077)	(2,579)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11)	(41)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

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Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (9 Months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(11)	(41)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,000	2,058
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(66)	(66)
3.5	Proceeds from borrowings	357	357
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,290	2,348

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,007	1,481
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,077)	(2,579)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(41)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,290	2,348

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (9 Months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,209	1,209

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,158	956
5.2 Call deposits	51	51
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,209	1,007

6. Payments to directors of the entity and their associates**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

91

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

- Managing Director's Salaries and Wages

- Non-Executive Director's Fees

7. Payments to related entities of the entity and their associates**Current quarter
\$A'000**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	357	357
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Key Facility Terms:

- Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital
- Amount: 80% of the expected R&D tax offset resulting from each period's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year.
- Final Maturity Date: 31/10/2018.
 - Norwood has the option to repay earlier without penalties.
- Interest Rate: 15% per annum
- Security: Secured against the R&D refund receivable from the ATO
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditures.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(354)
9.2 Product manufacturing and operating costs	(141)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff and Sales Consultants Cost	(301)
9.6 Administration and corporate costs	(251)
9.7 Total estimated cash outflows	(1,047)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

[Lodged electronically without signature]

30 April 2018

Sign here: Date:
(Director/Company secretary)

Steven Wood

Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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