

ASX ANNOUNCEMENT

31 July 2017

Norwood Corporate Overview and Appendix 4C for June 2017 Quarter

Highlights

- 22% increase in cash receipts from customers with strong growth excepted in September quarter following signing and ramp up of material contracts
- Distribution agreement signed with RAC Travel (post quarter-end), revenue of \$300,000 to \$600,000 per annum expected, with revenue to commence in September quarter
- Commencement of revenue from anticipated \$300,000 agreement with CommSys, executed in April
- Expansion of existing contract with Oceaneering
- ATO R&D tax credit refund of up to \$0.8 million expected in September quarter
- Cost control exercise underway, administration and corporate costs down 39% and operating activities down 19% quarter on quarter
- Further product enhancements delivered - Virtual Voicemail and Virtual Business ID

‘Sharing Economy’ telecommunications pioneer Norwood Systems Ltd (Norwood or the Company) (ASX: NOR) is pleased to provide an overview of the Company’s activities for the June 2017 quarter and the accompanying Appendix 4C cashflow report.

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

“We are very pleased with the Company’s positive momentum in recent months with the award of two material contracts, RAC Travel and CommSys which will continue to bolster the Company’s growing revenue in coming quarters. These contract awards show a strong endorsement of Norwood’s award winning technology both in the corporate and consumer segments.”

“We continue to focus on additional contract awards, with a number of material prospects being pursued with large “household brand” companies, in conjunction with increasingly strong financial discipline which has and will continue to see a reduction in cash operating costs. The hard work by the Norwood team sets us up to again see rising cash receipts from customers and a reduction in costs in the September quarter.”

Sales and Commercialisation Activities

Corporate – Corona, Virtual Business Phone, CRM, Compliance offerings

During the quarter, Norwood continued to progress successfully a number of sales opportunities for the Company’s corporate products across the previously identified market opportunities – **Bring your own device (BYOD)** management (through Norwood’s Virtual Business Phone), **Customer Relationship Management (CRM)** integration of mobile phone calls and messaging and **Compliance Solutions** for mobile communications in regulated industries such as the finance industry. In addition, through Corona Global Trunk Services (Corona GTS), Norwood offers a service that enables clients to connect directly to its low-cost global federated telco network.

This progress included expanding the range of Corona services offered to the Australian arm of Oceaneering International Inc and the execution of a new Corona sales agreement with CommSys. Under the agreement with CommSys, Norwood is providing communications services using the Corona GTS platform, a service that enables Norwood’s clients to connect directly to its low-cost global federated telco network in more than 70 countries around the world. Revenues from both these contracts are now being received, with revenue from

the CommSys contract continuing to ramp up towards an anticipated revenue value of approximately \$300,000 during the initial 12-month term of the agreement.

A number of successful commercial pilots were also conducted over the quarter, with potential customers evaluating Corona Compliance using Business Virtual ID. Several pilots has passed the technical evaluation stage and the Company is now in final commercial discussions with those firms. Other pilots have received good customer feedback, and Norwood continues to engage very positively with those customers, addressing in certain cases the incorporation of selected additional requested compliance features. One pilot was successful in meeting technical qualifications and usability requirements of the potential customer, however the prospective client did not proceed further, as they elected not to offer employees separate work identities on a single handset and will continue to require separate handsets for work and personal use.

Further material sales opportunities with large corporates for BYOD Management, Compliance and CRM Solutions are advancing in a highly satisfactory manner, with the Company receiving ongoing feedback from major prospective channel partners and major prospective clients on the high perceived value and strong fit of both its Compliance and CRM solutions in their respective sectors. The company remains confident on a number of these material prospects, given their current stage in the sales cycle.

Consumer – Travel and Loyalty products

Norwood continued to make good progress in the consumer segment with the execution of a distribution agreement with RAC Travel, which will see Norwood's World Phone service promoted to RAC WA's 870,000 members and customers when they purchase travel products through RAC subsidiary, RAC Travel. Norwood is working with RAC towards launch and retail availability of World Phone via this distribution agreement in the current (September 2017) quarter, planning to launch well within the two-month timeframe previously announced.

Assuming a successful rollout and based on input from RAC Travel, Norwood anticipates generating approximately 10,000 to 20,000 additional customers per annum at an expected average revenue per customer of \$30.00, which implies an anticipated annual revenue of approximately \$300,000 to \$600,000.

Norwood also continues to work with Affinion to progress the take-up of World Phone and/or World Wi-Fi into Affinion's loyalty client base, as a feature of loyalty and engagement programs. A number of Affinion's key clients have been presented with Norwood's loyalty propositions and the Company expects to convert some of these prospects in due course to revenue generating relationships. Strong feedback has been received in particular for Norwood's forthcoming World Wi-Fi proposition and the Company is working hard to release that App in line with the release of Apple's iOS 11 operating system as noted below.

Product Development Activities

Norwood continued to add additional features and services its products, as well as ongoing development on World Wi-Fi.

Product Enhancements

Throughout the quarter Norwood released a major upgrade to World Phone, the Virtual Voicemail feature, which is available to both corporate and consumer users. The Virtual Voicemail feature provides World Phone users with access to their received voicemails in an easy-to-use table, from which users can choose to playback, view or search for any message. A full transcription service (still in beta), is also integrated, allowing users to search automatically transcribed text versions of their voicemails. This is the first time that a mainstream Over-the-Top (OTT) Telephony App has supported such an advanced voicemail interface. It

delivers a user experience on par with, and in some respects exceeding, the native iPhone Visual Voicemail service, which is supported by only a fraction of mobile operators.

Business Virtual IDs

Other major developments included the roll out of Norwood's Virtual Business IDs to 19 separate countries. Virtual Business IDs are the enabler for Norwood's unique Virtual Business Phone offering, which in turn provides complete virtualisation of existing corporate mobile phone services. Virtual Business Phone delivers substantial savings to corporate clients, while offering previously unattainable integration of core mobile voice and messaging services into corporate compliance and CRM systems.

Further product enhancements underway include increasing the number of compliance needs that can be met by Corona and further CRM integration options.

World Wi-Fi

World Wi-Fi will address the three core issues associated with connecting to Wi-Fi networks around the world, greatly simplifying and enhancing the experience of connecting to third party Wi-Fi networks. Its core focus is on three key areas of functionality:

- **Discoverability:** A fun and easy-to-use Augmented Reality display to help discover nearby Wi-Fi nodes
- **Connectability:** Bypassing complicated sign-on pages with a super-simple, elegant "two-click" solution
- **Security:** Including built-in VPN security as standard, making insecure Wi-Fi a thing of the past

World Wi-Fi development and testing is intensifying, with the Company deciding in June to include the system-level Augmented Reality support coming in the upcoming iOS 11 release into the first release of World Wi-Fi. Based on current prototype testing, this functionality will greatly enhance World Wi-Fi's "out-of-the-box" user experience. World Wi-Fi is planned to be released in late calendar Q3 2017, in line with the expected release of iOS 11 by Apple.

Rewards & Recognition

During the quarter, Norwood was proud to be the winner of the WAITTA Incite award for the Most Effective eBusiness Solution for the Company's Corona Compliance Management service. This marks their fifth WAITTA Incite Award in four years and makes Norwood the most successful company in the 26-year history of the WAITTA Incite awards programme.

Previous awards have been received twice for Corona Cloud in 2014 in the New Product Category - Development Domain and the Industrial Category - Industry Domain and twice for World Phone in the 2015 Product Domain and Society Domain Consumer category. Additionally, in 2016 World Wi-Fi was runner-up in the Most Disruptive Innovation category and represented WA at the National iAwards.

Corporate

Quarterly cash receipts of \$60k was an increase of 22% quarter on quarter and are forecast to grow further in the September quarter as revenue from the RAC Travel distribution agreement commences and the CommSys contract continues to ramp up.

The Company completed a successful fully underwritten capital raising that raised approximately \$2.1 million (before costs). Norwood has commenced a cost control exercise, with administration and corporate costs down 39% and cash used in operating activities down 19% quarter on quarter. The cost control exercise will remain a key focus in the coming quarters, with the Company targeting a further reduction of 6% in cash outflows in the September quarter.

Additionally, the Company expects to receive an Australian Tax Office (ATO) Research and Development (R&D) Grant of up to \$800,000 in the September quarter. Proceeds from the R&D grant, the Company's current cash balance, continued prudent cost control and increasing customer cash receipts give the Board significant confidence that the short-term capital requirements for the Company are in hand.

<ENDS>

Paul Ostergaard , CEO & Founder +61 8 9200 3500 www.norwoodsystems.com @norwoodsystems @paulostergaard	Shane Murphy , FTI Consulting +61 8 9485 8888 +61 420 945 291 shane.murphy@fticonsulting.com @ShaneWMurphy
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Norwood is changing the way we globally connect

At Norwood Systems, we're passionate about revolutionising telecommunications. To actualise this goal, we have developed versatile and innovative service platforms that combine Norwood's cloud services and Apps with a wide range of best in class network providers for voice, SMS and Wi-Fi access. By connecting your smartphone effortlessly and simply to local networks around the world via our award-winning Apps, you get high quality connections, clear and secure conversations for a fraction of international roaming costs.

About Norwood Systems

Norwood Systems provides voice, messaging and data services to consumers, enterprises and carriers globally, leveraging its' federated telecommunications services network partnerships. Our mission is to deliver disruptive end-user communications apps that streamline and simplify how users around the world can access affordable, high-quality telecommunications services – anywhere, anytime.

Norwood has solutions that service Enterprise, Telco and Partner channels.

Our [Enterprise Solutions](#) deliver powerful, yet simple platforms to make business communications more cost effective, easier to manage, and regulatory compliant. This is made possible by Corona® Cloud and Corona GTS, operating in tandem with World Phone and World Message.

Norwood Systems' innovative [Telco Solution](#) addresses all three categories of telecommunication providers. Major carriers, mobile virtual network operators (MVNOs), and Data-only providers.

Finally, our [Partner Solutions](#) are designed for the forward looking, customer driven Travel and Loyalty partner, providing an easy way to invigorate brand offerings with App based benefits.

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")

30 JUNE 2017

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	60	187	
1.2 Payments for			
(a) research and development	(396)	(1,694)	
(b) product manufacturing and operating costs	(78)	(488)	
(c) advertising and marketing	(34)	(494)	
(d) leased assets	-	-	
(e) staff and sales consultants costs	(387)	(1,406)	
(f) administration and corporate costs	(341)	(1,698)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	1	13	
1.5 Interest and other costs of finance paid	-	(1)	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	71	1,368	
1.8 Other (provide details if material)	-	-	
1.9 Net cash from / (used in) operating activities	(1,104)	(4,213)	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	(102)	(110)	
(b) businesses (see item 10)	-	-	
(c) investments	-	-	
(d) intellectual property	-	-	
(e) other non-current assets	-	-	

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (12 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	(102)	(110)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,071	2,071
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	(156)	(156)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,915	1,915

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	772	3,889
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,104)	(4,213)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(102)	(110)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,915	1,915

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,481	1,481

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	1,431	721
5.2	Call deposits	50	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)	1,481	772

6. Payments to directors of the entity and their associates

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

**Current quarter
\$A'000**

(76)

-

- Managing Director's Salaries and Wages
- Non-Executive Director's Fees

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

(45)

-

- Consultancy Fees

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	-	-
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.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(303)
9.2	Product manufacturing and operating costs	(106)
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff and Sales Consultants Cost	(310)
9.6	Administration and corporate costs	(329)
9.7	Total estimated cash outflows	(1,048)

10.	Estimated cash inflows for next quarter	\$A'000
10.1	Research and Development Grant	800
10.2	Forecasted Cash Receipts	110
10.3	Total estimated cash inflows	910

11.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
11.1	Name of entity	-	-
11.2	Place of incorporation or registration	-	-
11.3	Consideration for acquisition or disposal	-	-
11.4	Total net assets	-	-
11.5	Nature of business	-	-

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]

31 July 2017

Sign here:
(Director/Company secretary)

Date:

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.