

**ASX ANNOUNCEMENT**

**31 October 2019**

**Norwood Corporate Overview and App 4C for September 2019 Quarter**

**Highlights**

- Receipts from customers of \$325k, up 450% from September 2018 quarter, and 171% from the June 2019 quarter. Costs of R&D, manufacturing, operating, staff, sales consulting, admin and corporate are down 27% compared to the September 2018 quarter.
- Purchase order (PO) from Spark NZ received to the value of NZ\$244,000, invoiced and paid in the quarter, marks the commencement of annual recurring revenue from that contract.
- Continue to target revenue from its four-year business plan with Spark of NZ\$2.0 million, with a minimum estimated committed revenue of NZ\$1.1 million.
- Release 3 of **World Voicemail** for iOS and Android issued post quarter-end in parallel to substantial voicemail server platform upgrades to address telco operators' requirements for system scalability and reliability.
- **World Voicemail Release 3** is targeting the \$1 billion telco voicemail market through direct sales and telco partnerships and a number of partnership negotiations and pilot engagements are currently underway.
- Successfully raised \$200,000 via a placement, post quarter end, to provide sufficient working capital for the Company's short-term needs whilst it pursues material revenue generating contracts.

'Sharing Economy' and 'Communications as a Service' pioneer Norwood Systems Ltd (Norwood or the Company) (ASX: NOR) is pleased to provide an overview of the Company's activities for the September 2019 quarter and the accompanying Appendix 4C cashflow report.

Norwood's CEO and Founder, Paul Ostergaard, said: *"This has been a positive quarter for Norwood, as we continue to deliver on the Spark NZ contract and refocus our business activities on the further commercialisation of World Voicemail. The Company now has recognised material revenue which has enabled Norwood to progress its product development activities as demonstrated by the Release 3 of World Voicemail.*

*"Norwood is confident that it has developed the world's most advanced visual voicemail service available for telcos as they consider upgrading their existing, ageing voicemail platforms. We continue to target the \$1 billion telco market for legacy voicemail service replacement and we can confirm we are developing go-to-market distribution partnerships for World Voicemail.*

*"We continue to see a significant decline in our operating costs, which has been assisted through material revenue from the Spark NZ contract. In addition, the Company successfully completed a placement post quarter end which, coupled with our R&D offsets, has provided Norwood with sufficient working capital for our short-term needs whilst we pursue material revenue generating contracts."*

## Sales and Commercialisation Activities

### Spark NZ contract update

During the quarter, Norwood was pleased to announce that it has received a further purchase order for software licenses from Spark NZ to the value of NZ\$244,000. The value was received during the quarter, in line with the applicable terms of Norwood's contract with Spark.

Norwood is supplying a modern telco-grade premium transcribed voicemail service platform to Spark under the terms of this contract.

Norwood has quantified the potential application of its voicemail telco platform to the worldwide telco market, in particular focusing on mobile network operators (MNOs) with more than 100,000 subscribers, targeting a market with more than 500 such MNOs worldwide.

Norwood has determined (through its own research) that roughly 85% of these MNOs (approximately 420) are potential candidate customers for Norwood's modernised telco voicemail platform.

Norwood is vigorously pursuing leads and pilots with such telcos, either directly or through telco vendor partners, as previously disclosed, and will announce further developments to the market as material progress is achieved.

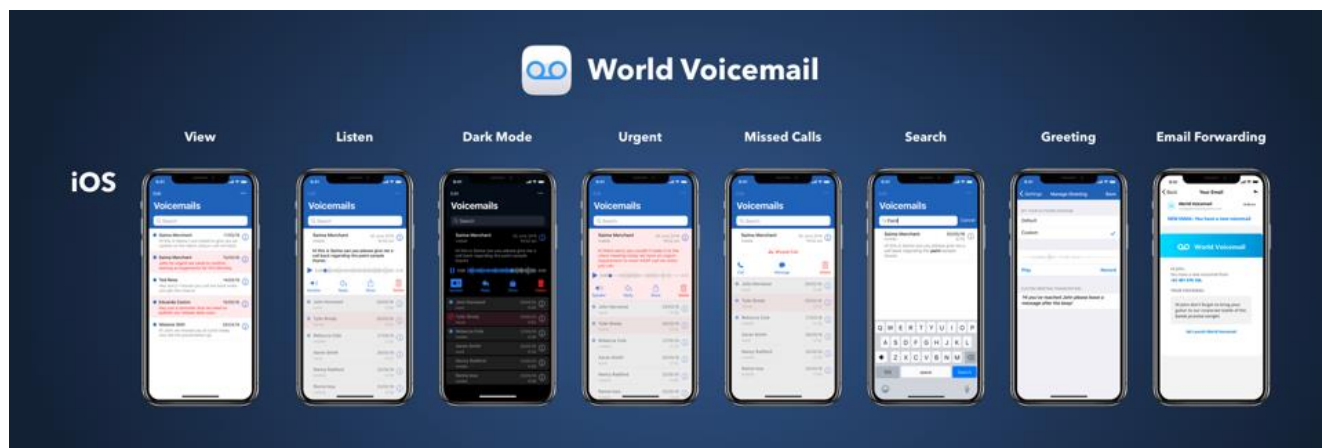
### Telco Voicemail partnerships

Norwood confirms that it is currently developing go-to-market distribution partnerships for World Voicemail with several prospective telco vendors. Norwood previously advised that it anticipated the formalisation of such a partnership in the September 2019 quarter, and whilst an agreement has not yet been achieved Norwood advises that such discussions are continuing afoot and progressing well, and an agreement is expected in the current December 2019 quarter.

## Product Development Activities

Post quarter end, the Company announced and deployed Release 3 of its telco-scale World Voicemail platform.

Key new World Voicemail end-user features include: Improved voicemail message transcription quality; new iOS 13 dark-mode appearance; automatic voicemail forwarding to email – "voicemail delegation"; ability to read or listen to voicemails directly from the iPhone lock-screen; and support for 16 new languages to support global distribution.



Release 3.0 of the World Voicemail platform

Further works are currently underway to integrate World Voicemail with telco operators' security and emerging anti-call fraud capabilities, with the goal to interoperate with telco networks supporting the STIR/SHAKEN standards recently mandated by the US FCC for deployment by all US operators. Spam and robocalling already present a huge issue in the US, with more than 26 billion robocalls made in the US alone in 2018<sup>1</sup>, representing a 46% year-on-year increase compared to 2017. This is expected over time to become worldwide issue.

Norwood's World Voicemail platform with combined transcription and analytics can play a highly relevant role in helping operators combat this issue by reporting back key metrics on spam and robocall voicemail messages. This is particularly important to help detect new numbers used by Robocallers as soon as possible. The company believes capabilities to help defeat robocalling and call spam will add further motivation for telcos to consider Norwood's platform when planning a voicemail system upgrade or replacement.

Norwood's end-to-end voicemail platform capabilities extend to "scoring" voicemail messages for potential spam or robocalling attributes using Norwood's machine learning software and passing such scores anonymously back to an operator in realtime without disclosing message contents. This enables an operator to quickly detect new potential robocall numbers and take appropriate action. To the best of Norwood's knowledge this is a unique capability that sets it apart from other telco voicemail vendors.

The upgraded platform capabilities mean that Norwood's telco-scale World Voicemail platform now has the full support of key scalability and system reliability features demanded by telco customers – including geographic redundancy, high-availability configurations and scalability beyond 100 million subscribers per telco.

## Corporate

### Placement

Post quarter end, Norwood announced it has received firm commitment from Pinnacle Corporate Finance Pty Ltd ("Pinnacle") to raise \$200,000 via the placement of approximately 66.7 million fully paid ordinary shares ("Shares") at \$0.003 per Share ("Placement") together with 66.7 million free attaching NOROA Listed Options (\$0.008, 31 October 2020) under its existing ASX Listing Rule 7.1 capacity.

Net proceeds from the Placement are geared towards pursuing material licensing deals and revenue generating contacts related to World Voicemail. The Company is seeing robust commercial interest in World Voicemail, and discussion remains on foot with a number of telcos and telco partners worldwide.

The successfully completed Placement, cash funds now received from the ATO for an R&D tax offset rebate for FY2019 and a proposed funding arrangement over FY2020 future R&D tax offset rebates (via Radium Capital) provide sufficient working capital for Norwood's short-term needs.

<ENDS>

<b>Company:</b> <b>Paul Ostergaard</b> , CEO & Founder <b>Office:</b> +61 8 9200 3500 <b>Web:</b> <a href="http://www.norwoodsystems.com">www.norwoodsystems.com</a> <b>Twitter:</b> @norwoodsystems, @paulostergaard	<b>Investor Relations:</b> <b>Shane Murphy</b> , FTI Consulting <b>Office:</b> +61 8 9485 8888 <b>email:</b> <a href="mailto:shane.murphy@fticonsulting.com">shane.murphy@fticonsulting.com</a> <b>Mobile:</b> +61 420 945 291 <b>Twitter:</b> @ShaneWMurphy
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<sup>1</sup> See: <https://www.businessinsider.com.au/how-to-stop-robocalls-to-cell-phone-explained-2018-5?r=US&IR=T>

## **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 associated Apps.

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")**

30 September 2019

<b>Consolidated Statement of Cash Flows</b>	<b>Current Quarter \$A'000</b>	<b>Year to Date (3 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	325	325
1.2 Payments for		
(a) research and development	(281)	(281)
(b) product manufacturing and operating costs	(87)	(87)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff and sales consultants costs	(196)	(196)
(f) administration and corporate costs	(290)	(290)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(526)</b>	<b>(526)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

**Appendix 4C**
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>Consolidated Statement of Cash Flows</b>		<b>Current Quarter \$A'000</b>	<b>Year to Date (3 Months) \$A'000</b>
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	150	150
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	-	-
3.5	Proceeds from borrowings	139	139
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>289</b>	<b>289</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	406	406
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(526)	(526)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	289	289

+ See chapter 19 for defined terms.

<b>Consolidated Statement of Cash Flows</b>		<b>Current Quarter \$A'000</b>	<b>Year to Date (3 Months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>169</b>	<b>169</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	119	119
5.2	Call deposits	50	50
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>169</b>	<b>169</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	58
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 salary, Non-Executive Director's fees

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	

**Appendix 4C**

**Quarterly report for entities subject to Listing Rule 4.7B**

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	618	618
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: 30/9/2019 (extended with agreement with Radium until the R&D tax refund received from the ATO)
  - Norwood has the option to repay earlier without penalties.
  - Norwood paid the full amount at \$617,998 (including interest) subsequent to the end of the September quarter
- Interest Rate: 14% per annum + 4% default rate per annum (from 1 October 2019 to date of repayment (now paid))
- 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.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(289)
9.2 Product manufacturing and operating costs	(75)
9.3 Advertising and marketing	(18)
9.4 Leased assets	-
9.5 Staff and Sales Consultants Cost	(221)
9.6 Administration and corporate costs	(333)
<b>9.7 Total estimated cash outflows</b>	<b>(936)</b>

+ See chapter 19 for defined terms.



<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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	-	-

### 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 October 2019

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.