

**Norwood System Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity: Norwood System Limited  
ACN: 062 959 540  
Reporting period: For the year ended 30 June 2017  
Previous period: For the year ended 30 June 2016

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**2. Results for announcement to the market**

				<b>\$ 000</b>
Revenues from ordinary activities	down	71%	to	204
Loss from ordinary activities after tax attributable to the owners of Norwood System Limited	Up	59%	to	(6,753)
Loss for the year attributable to the owners of Norwood Systems Limited	Up	59%	to	(6,753)

*Dividends*

No dividend paid during the year.

*Comments*

Please Refer to Preliminary Final Report for the year ended 30 June 2017 attached: Director's Report, Operating, and Results Sections.

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.0008</u>	<u>0.003</u>

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**4. Control gained over entities having material effect**

Not applicable.

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**5. Loss of control over entities having material effect**

Not applicable.

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**6. Details of associates and joint venture entities**

Not applicable

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**7. Audit qualification or review**

The financial statements have been audited and an unqualified opinion has been issued.

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**8. Attachments**

The Annual Report of Norwood System Limited for the year ended 30 June 2017 is attached.

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**9. Signed**



Date: 25 August 2017

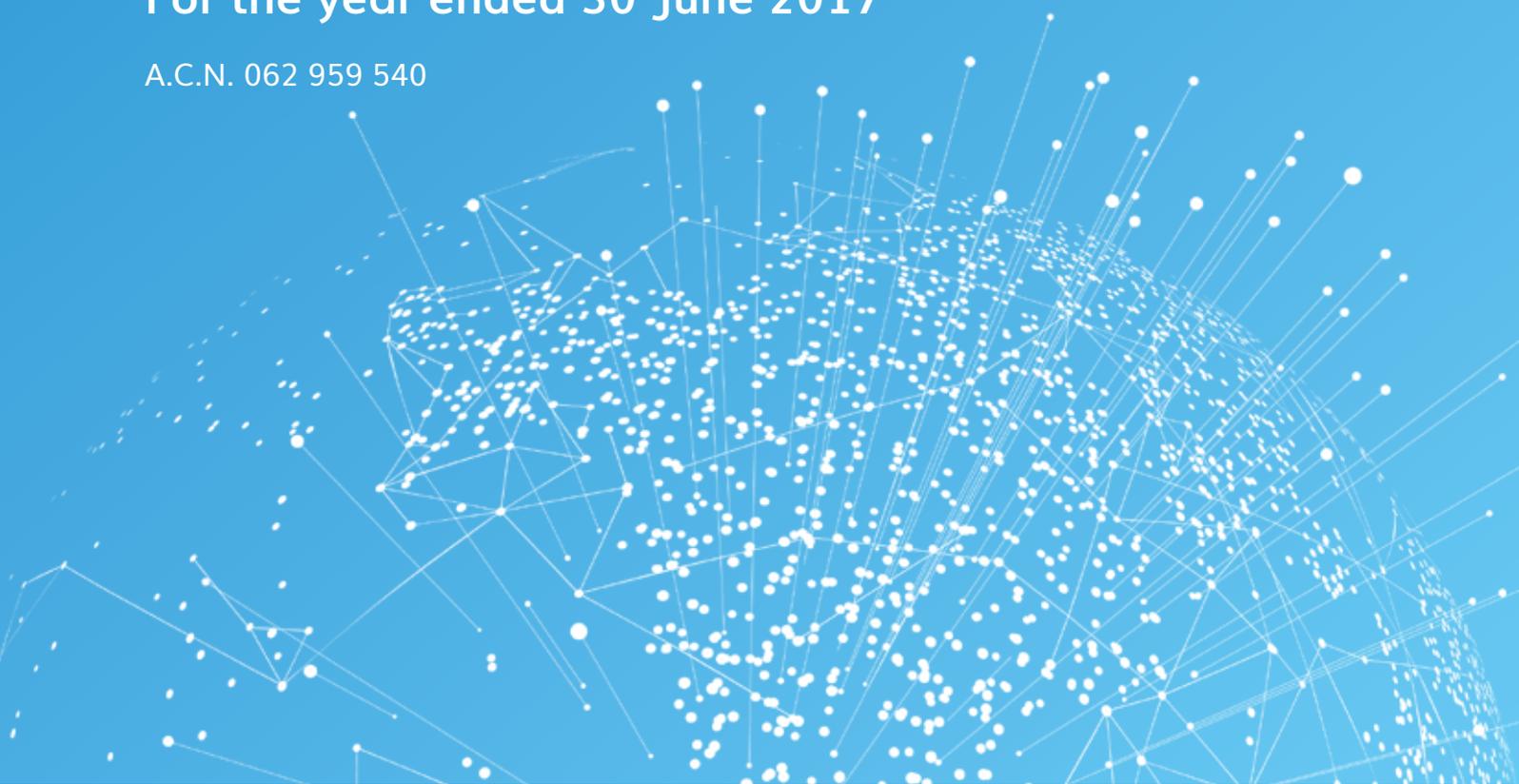
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Paul Ostergaard  
Managing Director

# Annual Report

For the year ended 30 June 2017

A.C.N. 062 959 540



**norwood**  
connect globally, locally™

# Corporate Information

## Directors:

Mr Paul Ostergaard  
Managing Director

Mr Amit Pau  
Non-Executive Chairman

Mr Mike Edwards  
Non-Executive Director

Mr Giles Everist  
Non-Executive Director

## Company Secretary:

Mr Steven Wood

## Auditors:

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008  
Telephone: +61 8 6382 4600

## Share Registry:

Link Market Services Limited  
Level 4 Central Park  
152 St Georges Terrace  
PERTH WA 6000  
Telephone: +61 1300 554 474

## Lawyers:

Steinepreis Paganin  
Level 4, The Read Building,  
16 Milligan St  
PERTH WA 6000

## Bankers:

Bankwest  
150 Rokeby Rd, Subiaco WA 6008

Westpac Banking Corporation  
Level 14, 109 St Georges Terrace  
Perth WA 6000

## Registered & Principal Office:

4 Leura Street,  
NEDLANDS, WA 6109

Telephone: + 618 9200 3505

Email: [info@norwoodsystems.com](mailto:info@norwoodsystems.com)

Website: [www.norwoodsystems.com](http://www.norwoodsystems.com)

## Postal Address:

4 Leura Street,  
NEDLANDS WA 6009

## Home Securities Exchange:

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

## ASX Code:

NOR

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# About Norwood Systems



# About Norwood Systems

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

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



## Enterprise

Norwood Systems' Enterprise solutions are divided into three segments but served by one platform - Corona® Cloud.

**Fleet Management** enables true BYOD to realise simple, powerful and effective telecommunication capabilities. Corona® Cloud, allows organisations to equip their entire fleet with Corona® Cloud administered World Apps. This adds a business-owned number to an existing employee device with complete calling and SMS capabilities, leading to greater convenience and cost savings for every level of user. Users also leverage our international telecommunications network to make up to 80% in international call savings.

**Identity Management** adds a business-owned phone number to employee devices to conveniently ensure employee privacy, and business continuity. Organisations can easily protect employees from the dangers of personal number exposure, which is of particular concern in high-risk and sensitive sectors such as nursing, and teaching. Corona® managed business numbers can also be reassigned to another user, ensuring business continuity of numbers and client reachability.

**Compliance Management** assists corporate communications where sharing sensitive information is prevalent. Government, Health and Finance sectors especially require the recording and archival of such information. Corona® facilitates corporate communications so compliance to industry regulations becomes seamless and easy.

Corona® Cloud also enables seamless and compliant metadata and deep data collection on selected or all communication events, fulfilling regulatory obligations, and providing rich insights.



## Telco

Norwood Systems' Telco Solutions addresses all three categories of telecommunication provider. Major carriers, mobile virtual network operators (MVNOs), and data-only providers.

Major carriers can benefit from a white label solution that maximises long term value from inbound roamers and minimise the cost from outbound roaming wholesale expenses.

A specially catered white label App solution for MVNO's can also help them lower the retail cost of their roaming and long-distance call packages to create more attractive packages to offer existing and potential customers.

Data-only providers, as their name implies, markets data-only plans to customers. These plans are especially attractive to the modern consumer that only require internet access for general browsing and online communications. The low cost of data-only plans is also a compelling proposition to many consumers, however they come with the handicap of no calling and SMS facilities. Norwood Systems can help address this fundamental drawback of data-only plans by providing consumers with a white-label App, giving them all the benefits of data-only plan, and the functionality of a traditional telecommunications plan.



## Partner

Designed for the forward looking, customer driven Travel and Loyalty partner, Norwood Systems' Partner Solution provides an easy way to invigorate brand offerings with App based benefits.

Travel companies can provide value added, white label communication Apps to customers. This gives tremendous value and convenience to customers during their travels, while negating the need for maintaining SIM inventories and also provides actionable customer insights to the agency.

Loyalty and Affinity partners can also provide the similar benefits to members, giving them a meaningful way to use their loyalty points, and gives the agency a convenient way to complete their portfolio.



# Connect globally, locally

# Managing Director's Remarks



# Managing Director's Remarks

As a Company, we are delighted to present the Norwood Systems Ltd (Norwood) FY17 annual report. This has been a year propelled by positive momentum and exciting product development which allowed the Company to deliver a significant platform to investors. In light of new contracts and in conjunction with strong financial discipline we have seen and will continue to see an effort to reduce cash operating costs. This reduction in costs stems from the hard work of the Norwood team and is supported by rising cash receipts. In keeping with our high customer retention and satisfaction rates, we remain confident that material prospects will continue to bolster the Company's revenue going forward.

## Results

Norwood delivered a net loss of the year ending 30 June 2017 of \$6,753,359 reflecting the significant investment that we have made in technology and marketing. This investment was made following careful consideration and extensive modelling, we are pleased with the results and are confident in the returns this platform will deliver. Prior to 30 June 2017, the Company successfully completed a fully underwritten capital raising that raised approximately \$2.1 million (before costs). Further to this, Norwood is expected to receive an Australian Tax Office (ATO) Research and Development (R&D) Grant of up to \$920,000 in the September 2017 quarter. This coupled with constant prudent cash control and increasing customer cash receipts, gives the Board confidence that the short-term capital requirements of the Company are in hand.

## World Phone

Throughout the FY17, World Phone has gone from strength to strength. The launch of World Phone 2.0 at the beginning of the year, which featured latest Apple iOS updates allowed World Phone functions to offer identical experience as traditional telephony options. These new features revolutionised how clients viewed Norwood's services.

Building on the momentum of World Phone, one of the most significant activities in the year was the signing of a global partnership and distribution agreement with leading loyalty and engagement program provider, Affinion International.

The Affinion deal represented a significant distribution opportunity for Norwood's World Apps, World Phone and World Wi-Fi, offered into leading loyalty programs globally, under a high-margin Software as a Service (SaaS) revenue model.

This agreement will see World Apps offered alongside other high appeal digital benefits in some of the world's leading loyalty programs. With its high-quality World App portfolio, Norwood was well-positioned to maximise advantage of the digital loyalty programs benefits, as credit card issuers face significant pressure on transaction fees and move towards membership based services.

We have continued to drive development and improve WorldPhone further. In our last quarter we 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.

## Corona

Corona continues to attract significant sales interest, driven primarily by the interest in use as a 'bring your own device' (BYOD) platform, alongside extensive compliance and primary benefits for certain segments.

Earlier in the year we saw encouraging progress with Corona sales activity, achieving strong growth in pipeline prospects across all targeted priority segments, culminating in signed agreements. These sales were achieved with demanding multi-national clients, supporting Norwood's belief that Corona Cloud and Corona GTS have achieved "product-market fit" with the targeted Enterprise segment.

Norwood's revolutionary and unique Over the Top (OTT) BYOD service allows users of Corona to have a completely separate and enterprise-administered mobile identity covering both calls and messages utilising standard mobile phone numbers within the one handset.

During the year, Norwood successfully demonstrated fully automated logging by Corona of all client-facing phone call records and messaging traffic into Salesforce.com – hosted CRM systems. This capability was launched and featured deep integration with the upcoming World Message App, alongside World Phone.

Our initial release of Corona's Archival Compliance Engine was also released throughout the year. It featured integration of three of the market leading Compliance Archival Hub vendor platforms. Corona's Archival Compliance Engine addresses the increasing need for financial, legal and healthcare services firms to archive all business communications, including those conducted on mobile devices. We remain confident that Corona's unique OTT archival compliance capability for message content and metadata will provide a very significant compliance advantage for the highly regulated finance sector where all customer interactions must be recorded in full, including text or other messaging services, as well as finding further application in the legal and healthcare sectors.

Further, during Q4, we expanded 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. Further, a number of pilots were conducted in the last quarter with potential customers evaluating Corona Compliance using Business Virtual ID.

## Strategic Platform

The aim of all this activity is to continue to revolutionise telecommunications. We strive and will continue to develop versatile and innovative service platforms that combine Norwood's cloud services and Apps with a wide range of network providers. We want users to be able to connect their smartphone effortlessly and simply to local networks around the world via our award-winning apps.

Our mission is to deliver disruptive end-user communication Apps that streamline and simplify how users around the world can access affordable, high-quality telecommunications services.

The launch of the Virtual Business Phone concept, a major and coherent milestone on the strategy path that we laid out when we launched Corona in 2104, we have achieved a major advance in OTT sector and we endeavour to keep reaching these milestones to create a seamless platform for users and investors.

## Looking Forward

In conclusion, I am very pleased to have established an extremely strong basis for future success. We've achieved a number of major milestones in FY17 including product launches, download numbers, technical developments and advanced stage customer discussions with healthy forward looking sales pipelines for both enterprise and carrier clients. As a Company we are confident in our future and excited to see the benefits flow from our platform.

I look forward to updating you in FY18 and beyond.

A handwritten signature in black ink, appearing to read "Paul Ostergaard". The signature is fluid and cursive, with a large initial 'P'.

**Mr Paul Ostergaard**  
Managing Director  
25 August 2017

# Directors' Report

For the year ended 30 June 2017

A.C.N. 062 959 540



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2017



## Directors

Your Directors have delight in presenting their report together with the financial proclamations of the Group comprising of Norwood Systems and the entities it controlled amid the period for the financial year ended 30 June 2017. So as to consent to the arrangements of the Corporations Act 2001, the Directors' report as follows:

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

**Amit Pau**

Non-Executive Chairman

**Paul Ostergaard**

Managing Director

**Michael Edwards**

Non-Executive Director

**Giles Everist**

Non-Executive Director

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management



### **Amit Pau** Non-Executive Chairman

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.

Mr Pau took over as company Chairman during Q3 from Michael Edwards, who stepped back to a Non-Executive Director role due to his appointment in an executive capacity at another company. Europe-based Mr Pau had been transitioning into the role since late 2016.

**Other current directorships of ASX listed companies:** Nil

**Other directorships held in ASX listed companies in the last three years:** Nil

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management (Cont'd)



### Paul Ostergaard

Managing Director

The Founder of Norwood Systems and the man who along with David Wilson pioneered the development of the company's current Cloud services. Offering CORONA (Corporate Roaming Network Access), a system that effectively delivers the world's most advanced international roaming solution through local non-cellular networks.

Responsible for the company's overall strategic direction, and planning, he founded Norwood Systems in 2011 with the vision to create the world's best private cloud communications platform servicing enterprise's growing need for mobile connectivity.

Paul 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, Paul 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, Paul 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 at an average of 50% p.a. to reach \$1.2 billion in annual revenues.

He was previously a finalist in the Ernst & Young Entrepreneur of the Year competition (London region) and has been invited to speak at events such as Catalyst, ETRE and the Bluetooth SIG conferences. In 2015, Paul was named to Engineers Australia's list of Top 100 Most Influential Engineers in Australia.

Paul holds a Bachelor of Electronic Engineering from the University of Western Australia, where he is an alumni award winner for Innovation and Entrepreneurship and holds 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

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management



### **Michael Edwards**

Non-Executive Director

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 – DE Mem Ltd

Non-Executive Director – Dawine Ltd

#### **Other directorships held in ASX listed companies in the last three years:**

Non-Executive Director - International Goldfields Ltd

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management



### Giles Everist

Non-Executive Director

Giles Everist joined the Board of Norwood Systems as a Non-Executive Director in November 2015. Mr Everist has extensive corporate and financing experience, having held executive finance roles at Coopers and Lybrand, Rio Tinto, Fluor Australia, and Monadelphous. Mr Everist has previously chaired ASX listed companies and brings outstanding corporate governance credentials and superb finance capabilities to the Board of Norwood.

Mr Everist is a current Director of ASX listed companies Macmahon Holdings and Austal. Mr Everist has previously sat on the boards of startup firms such as APE Mobile, which specialises in paperless apps for the construction industry, and qodeo, which produces time and money saving tools, data & connectivity for the global venture community. Mr Everist is a Chartered Accountant and a member of the Institute of Chartered Accountants (England and Wales). He holds a Bachelor of Sciences (Honours) in Mechanical Engineering from the University of Edinburgh.

#### **Other current directorships of ASX listed companies:**

Non-Executive Director – Macmahon Holdings Limited

Non-Executive Director – Austal Limited

#### **Other directorships held in ASX listed companies in the last three years:**

Non-Executive Director – Decmil Group Limited

Non-Executive Director – Logicamms Limited

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management (Cont'd)

### Steven Wood

Company Secretary

Steven Wood has specialised in corporate advisory, company secretarial and financial management services professionally since 2011. Steven is a Chartered Accountant, and has been involved in various private and seed capital raisings as well as successful ASX listings, whilst also providing company secretarial and financial management services to both ASX and unlisted public and private companies.



Mr Wood started his career in the Perth office of Pitcher Partners where he spent several years in their corporate re-structuring division.

### David Wilson

CTO, Co-Founder

With 20 years of technology and telecommunications experience, both in software development and management, David is an IT generalist. An insightful approach to problem-solving and a long history of creating innovative solutions to business needs. As Chief Technical Officer, David helps de ne Norwood Systems' product strategy and steer the engineering team to deliver the company's vision.



Previously at Ocean Broadband, he held the roles of Chief Information Officer and Chief Financial Officer to see it become one of Australia's largest fixed wireless providers. In 2007, he pioneered the first ever integration of Google Earth data with Salesforce.com APIs, an achievement that was featured in several national Australian news publications.

Previously, David was the Lead Developer of the award-winning InstantCoverage planning application at the original Norwood Systems, and prior to that worked as a software engineer with the TerraSystems Group building mine planning and fleet tracking systems.

David holds a BSc and an MBA from the University of Western Australia.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Particulars of Directors, Company Secretary and Executive Management (Cont'd)

### Nick Horton

General Manager Consumer & Vice President Marketing

Nick is directly responsible for the company's Consumer segment and the overall supervision of brand and marketing strategy.

Nick has built and led international marketing, sales, and product management teams for global brands in the Telco and Smartphone segments, including FT/Orange, O2/Telefonica, Telecom New Zealand and BlackBerry.

He has lived in worked in Australasia, Europe, the Middle East and South East Asia.

A New Zealander, Nick graduated with a Bachelor's degree in Commerce and Administration from the Victoria University of Wellington, and holds a major in Marketing.



### Steven Tot

General Manager Enterprise & Vice President Sales

Steven is responsible for Norwood's Enterprise Go to Market strategy, partner channels and overall sales execution.

Steven has 25 years of international telecoms experience spanning Australia, the UK and Silicon Valley in various roles including product marketing, pre-sales solution consulting, sales & account management, Partner & Alliance management to a senior leadership level.

Steven is a former Head of Global Consulting and General Manager, ICT Channels at Telstra. He is passionate about disruptive technology that enables clients to improve their business advantage.



# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Principal Activities

The principal activities during the period included:

- Launch of World Phone 2.0.
- Breakthrough distribution agreement negotiated and signed with leading loyalty program provider, Affinion International, opening a new high-margin distribution channel for Norwood's World Apps, World Phone and World Wi-Fi, across multiple jurisdictions, products and end user segments.
- Expanding the range of Corona services offered to the Australian arm of Oceaneering International Inc. and the execution of a Corona sales agreement with CommSys.
- The Company completed a successful fully underwritten rights issue capital raising that raised approximately \$2.1 million (before costs).
- Commenced a cost control exercise, with administration and corporate costs down 39% and cash used in operating activities down 19% in the final quarter. Cost control will remain a key focus in coming quarters.
- 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 marked our fifth WAITTA Incite Award in four years and makes us the most successful company in the 26-year history of the WAITTA Incite awards programme.

## Results

The net loss attributable to members of the Group for the year ended 30 June 2017 amounted to \$6,753,359 (2016: \$16,656,439).

## Dividends

There were no dividends paid or declared during the year.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Review of Operations and Results

### Operations – Telecommunications

The financial year ended 30 June 2017, has been a year distinguished by positive momentum in the form of two material contracts, RAC Travel and CommSys which will continue to bolster the Company's revenue going forward.

Throughout the year, Norwood has continued to drive product development. There were major upgrades with the new World Phone 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.

This year has also seen the roll out of Norwood's Virtual Business IDs to 19 separate countries. Norwood offers a unique Virtual Business Phone offering, and the Virtual Business IDs are the key to this. It 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.

Norwood has renewed its focus on Corona, as it continues to attract significant sales interest, driven primarily by the interest in use as a 'bring your own device' (BYOD) platform, alongside extensive compliance and privacy benefits for certain segments. Norwood continues to witness a number of excellent opportunities being added through the business development pipeline. The revolutionary and unique Over the Top (OTT) BYOD service – where users of Corona can have a completely separate and enterprise-administered mobile identity covering both calls and messages utilising standard mobile phone numbers within the one handset – is expected to continue to significantly contribute to the sales appeal of Corona for enterprises looking at the best way to manage Bring Your Own Device options.

Further, earlier this year in the third quarter we saw these interests in Corona materialise as announced by the signing of our sales contract with leading Australia cloud services firm CommSys to deliver Corona Global Trunk Services (Corona GTS) services. CommSys delivers innovative communications and IT services to Australian small & medium size business. Under this 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. We have also expanded the range of Corona services offered to the Australian arm of Oceaneering International Inc. Revenues from both these contracts are now being received, with revenue from the CommSys contract continuing to ramp up towards an anticipated annual revenue value of approximately \$300,000 during the initial 12-month contract term of the agreement.

Further material sale opportunities with large corporates for BYOD Management, Compliance and CRM Solutions are advancing in 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Norwood Developments

Further product enhancements underway include increasing the number of compliance needs that can be met by Corona and CRM integration options. There are three core issues associated with connecting to Wi-Fi networks around the world and Norwoods World Wi-Fi will address these. Its core focus will be on three key areas of functionality, the first, being discoverability, a fun and easy-to-use Augmented Reality display to help discover nearby Wi-Fi nodes. The second, connectability, will allow users to bypass complicated sign-on pages with a super-simple, elegant "two click" solution. Third, security, it will include a built-in VPN security as standard, making insecure Wi-Fi a thing of the past.

World Wi-Fi development and testing is growing fast, 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. These programs have rapidly grown over the FY year. Development on the initial versions of the World Wi-Fi and World Message products were complete earlier this year and now the Company is preparing for initial launch.

In March, we announced that the Company had launched its virtual business phone offering with the release of World Message. World message is a high quality iOS messaging App for corporate use, and is an easily integrated drop-in replacement for iMessage. Every aspect of that hard-ware centric, SIM-dependent, mobile phone experience will be replicated by Virtual ID working with World Phone and World Message, allowing our customers, in the 19 countries where we are launching, who need two mobile identities finally to migrate away from their second handset and enjoy two mobile profiles in a single device.

## Corporate

Norwood was pleased to complete a successful fully underwritten capital raising of approximately \$2.1 million (before costs) during the FY17 period. We have commenced a cost control exercise and are happy to announce that administration and corporate costs were down 39% in Q4 and cash used in operating activities was down 19% quarter on quarter. The cost control exercise will remain a key focus in the coming financial year (FY18), with the Company targeting a further reduction of 6% in cash outflows in the September quarter.

Norwood is expected to receive an Australian Tax Office (ATO) Research and Development (R&D) Grant of up to \$920,000 in the September quarter. Proceeds from the R&D grant, the Company's current cash balance, continued prudent cash control and increasing customer cash receipts give the Board confidence that the short-term capital requirement for the Company are in hand. We have seen a increase of 22% quarter on quarter of cash receipts that are forecast to grow further in the September quarter as revenue from the RAC Travel distribution agreement commences and the CommSys contract continues to get established.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Financial

Post period end the Group has prioritised its business sales efforts over direct consumer marketing expenses, in order to support the launch of both Corona Cloud and Corona GTS services. This has had the effect of reducing Norwood's quarterly expenditures for the financial year ended 30 June 2018 to a targeted quarterly burn rate of \$1.2 million per quarter.

The Group is expected to receive an R&D tax credit refund of an estimated \$0.92m prior to the financial year ended 30 June 2018.

In conclusion, Norwood achieved a number of major milestones during the financial year ended 30 June 2017 including product launches and technical investment, the benefits of which are likely to be seen during the financial year ended 30 June 2018 and beyond.

## 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 Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Events Since The End of the Financial Year

No 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 incurred a premium of \$11,236 excluding GST (2016: \$18,320) to insure the Directors and Secretary of the Company for a period of 7 years.

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' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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	-	203,023,477	-	19,000,000	-	41,362,174	-	41,362,174
Michael Edwards	-	4,900,770	-	3,000,000	-	-	-	-
Giles Everist	-	1,117,558	2,000,000	-	-	-	-	-
Amit Pau	-	312,500	3,000,000	-	-	-	-	-
<b>Total</b>	-	209,354,305	5,000,000	22,000,000	-	41,362,174	-	41,362,174

## 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	10	10
Michael Edwards	10	10
Amit Pau	10	10
Giles Everist	10	10

## 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 2017. 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:

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Key Management Personnel

### Directors:

Mr Paul Ostergaard	Managing Director	Appointed 8 June 2015
Mr Amit Pau	Non-Executive Director Non-Executive Chairman	Appointed 8 June 2015 Appointed 12 February 2017
Mr Michael Edwards	Non-Executive Chairman Non-Executive Director	Appointed 8 June 2015 Appointed 12 February 2017
Mr Giles Everist	Non-Executive Director	Appointed 13 November 2015

### Executives:

Mr David Wilson	Chief Technology Officer	Appointed 8 June 2015
Mr Steve Tot	General Manager Enterprise & Vice President Sales	Appointed 19 October 2015
Mr Nicholas Horton	General Manager Consumer & Vice President Marketing	Appointed 1 January 2016

## 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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.

## Performance-Linked Remuneration

The remuneration policy will be tailored to increase goal congruence between shareholders and Directors and key management personnel. This will be 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. Currently, remuneration is incentive-based however efforts have been made to progressively move towards a performance-linked remuneration policy.

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 are holding performance shares as 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

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.

	2017	2016	2015	2014
Net profit / (loss)*	\$(6,753,359)	\$(16,656,439)	\$(5,882,956)	\$(2,825,590)
Share price	\$0.015	\$0.03	\$0.033	\$0.01
Change in share price	(\$0.015)	(\$0.003)	\$0.023	\$(0.02)
Earnings per share*	\$(0.68)	\$(2.01)	\$(1.50)	\$(0.04)

\*Net profit/(loss) and earnings per shares figures for the period 2014 are as previously disclosed and have not been updated for the reverse acquisition of Norwood Systems (Aust) Pty Ltd which occurred on 8 June 2016 and therefore these figures may not be comparative to the 2015, 2016, and 2017 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.

## 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 reporting date relating to executive remuneration are set out below.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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.
- Termination Provisions – 6 months' written notice or payment of 6 months' base salary.

## Mr Nick Horton – General Manager Consumer & Vice President of Marketing

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$200,000 per annum plus superannuation at statutory rates.
- Car Allowance - \$15,000
- Bonuses - Mr Horton is entitled to the following bonus payments:
  - An amount of \$100,000 bonus per annum payable for meeting agreed targets. The bonus is paid by meeting a mix of individual performance targets (70%) and Company performance targets (30%) which is calculated quarterly. Individual performance targets include Active World Phone Users, user churn, ARPU per user and total revenue, cost of acquisition per user and migration of World Phone users to CORONA. Company performance targets include company revenue growth, profitability and reduction in cash burn, total number of end users and closing a major white label accounts (>\$200k revenue per annum). Bonus- accelerators is multiplied by 1.5 for performance >100% and <125% and 2.5 for performance >125% with no upper cap.
  - Termination Provisions – 6 months' written notice or payment of 6 months' base salary.

## Mr Steven Tot – General Manager Enterprise & Vice President Sales

- Term of Agreement – ongoing subject to annual review.
- Remuneration – \$180,000 per annum plus superannuation at statutory rates.
- Car Allowance - \$15,000
- Bonuses - Mr Tot is entitled to the following bonus payments:
  - An amount of \$120,000 bonus per annum payable for meeting agreed targets. The bonus is paid by meeting a mix of individual performance targets (70%) and Company performance targets (30%) which is calculated and paid quarterly. Individual performance targets include revenue generated by corporate accounts, number of corporate end user licenses and closing of major accounts (>\$200k annualised revenue). Company performance targets include company revenue growth, profitability and reduction in cash burn and total number of end users. Bonus- accelerators is multiplied

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

by 1.5 for performance >100% and <125% and 2.5 for performance >125% with no upper cap.

- Termination Provisions – 6 months' written notice or payment of 6 months' base salary

## Non-Executive Directors and Chairman

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 \$39,420 per annum.
- Non-Executive Chairman's Fees of \$52,560 per annum.
- There is no notice period stipulated to terminate the contract by either party.

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed \$310,000 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 plus superannuation 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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

2017 Key Management Personnel	Salary & Fees \$	Non- Monetary \$	Post-Employment Benefits	Share Based Payments	Total \$	Performance Related %
			Superannuation \$	Options \$		
<b>Executive Directors</b>						
Mr Paul Ostergaard	\$175,000	-	\$16,625	-	\$191,625	-
<b>Total Executive Directors</b>	<b>\$175,000</b>	<b>-</b>	<b>\$16,625</b>	<b>-</b>	<b>\$191,625</b>	<b>-</b>
<b>Non-Executive Directors</b>						
Mr Michael Edwards <sup>(2)</sup>	\$44,710	-	-	-	\$44,710	-
Mr Amit Pau <sup>(1)</sup>	\$47,085	-	-	-	\$47,085	-
Mr Giles Everist	\$36,000	-	\$3,420	-	\$39,420	-
<b>Total Non-Executive Directors</b>	<b>\$127,795</b>	<b>-</b>	<b>\$3,420</b>	<b>-</b>	<b>\$131,215</b>	<b>-</b>
<b>Total Directors</b>	<b>\$302,795</b>	<b>-</b>	<b>\$20,045</b>	<b>-</b>	<b>\$322,840</b>	<b>-</b>
<b>Executives</b>						
Mr David Wilson	\$176,393	-	\$16,757	\$1,405,416	\$1,598,566	-
Mr Steve Tot	\$195,000	-	\$18,525	\$203,258	\$416,783	-
Mr Nick Horton	\$215,000	-	\$20,425	\$203,258	\$438,683	-
<b>Total Executives</b>	<b>\$586,393</b>	<b>-</b>	<b>\$55,707</b>	<b>\$1,811,932</b>	<b>\$2,454,032</b>	<b>-</b>
<b>Total</b>	<b>\$889,188</b>	<b>-</b>	<b>\$75,752</b>	<b>\$1,811,932</b>	<b>\$2,776,872</b>	<b>-</b>

The remuneration figures in the above table represent the total amounts earned by each individual in the period 1 July 2016 to 30 June 2017.

<sup>(1)</sup> Mr Mike Edwards held the position of Non-Executive Chairman from 1 July 2016 to 12 February 2017 and Non-Executive Director from 12 February 2017 to date.

<sup>(2)</sup> Mr Amit Pau held the position of Non-Executive Director from 1 July 2016 to 12 February 2017 and Non-Executive Chairman from 12 February 2017 to date.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

2016			Post-Employment Benefits	Share Based Payments			
Key Management Personnel	Salary & Fees \$	Non-Monetary \$	Superannuation \$	Options \$	Total \$	Performance Related %	
<b>Executive Directors</b>							
Mr Paul Ostergaard	175,000	-	16,625	2,041,855	2,233,480	-	
<b>Total Executive Directors</b>	<b>175,000</b>	<b>-</b>	<b>16,625</b>	<b>2,041,855</b>	<b>2,233,480</b>	<b>-</b>	
<b>Non-Executive Directors</b>							
Mr Michael Edwards	79,250	-	-	281,661	360,911	-	
Mr Amit Pau	39,420	-	-	281,661	321,081	-	
Mr Giles Everist <sup>(3)</sup>	24,966	-	-	118,628	143,594	-	
<b>Total Non-Executive Directors</b>	<b>143,636</b>	<b>-</b>	<b>-</b>	<b>681,950</b>	<b>825,586</b>	<b>-</b>	
<b>Total Directors</b>	<b>318,636</b>	<b>-</b>	<b>16,625</b>	<b>2,723,805</b>	<b>3,059,066</b>	<b>-</b>	
<b>Executives</b>							
Mr David Wilson	160,000	-	15,200	868,875	1,044,075	-	
Mr Steve Tot <sup>(2)</sup>	137,386	-	13,052	114,291	264,729	-	
Mr Nicholas Horton <sup>(1)</sup>	107,500	-	10,212	114,291	232,003	-	
<b>Total Executives</b>	<b>404,886</b>	<b>-</b>	<b>38,464</b>	<b>1,097,457</b>	<b>1,540,807</b>	<b>-</b>	
<b>Total</b>	<b>723,522</b>	<b>-</b>	<b>55,089</b>	<b>3,821,262</b>	<b>4,599,873</b>	<b>-</b>	

The remuneration figures in the above table are for the Key Management Personnel of both Norwood Systems Limited and Norwood Systems (Aust) Pty Ltd.

(The remuneration figures in the above table represent the total amounts earned by each individual in the period 1 July 2015 to 30 June 2016 without regard to the appointment dates listed below.)

<sup>(1)</sup> Mr Nicholas Horton was appointed General Manager, Consumer; Vice President of Marketing on 1 January 2016.

<sup>(2)</sup> Mr Steve Tot was appointed General Manager, Enterprise; Vice President of Sales on 19 October 2015.

<sup>(3)</sup> Mr Giles Everist was appointed Non-Executive Director on 13 November 2015.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Share Based Compensation

No options were granted during the financial year.

The Company granted the following unlisted options as share based payments last financial year. These options are not dependent upon satisfaction of performance conditions and have been issued to increase goal congruence between Shareholders and Directors.

Tranche	Number of Options Issued	Issue Date	Vesting Date	Expiry Date	Exercise Price	Total Value(i)	Recipient
A	9,500,000	27 Nov 2015	27 Nov 2015	27 Nov 2020	\$0.198	\$1,045,333	Managing Director Mr Paul Ostergaard
B	9,500,000	27 Nov 2015	27 Nov 2015	27 Nov 2020	\$0.297	\$996,522	Managing Director Mr Paul Ostergaard
C	3,000,000	27 Nov 2015	27 Nov 2015	27 Nov 2018	\$0.173	\$281,661	Non-Executive Director Mr Mike Edwards
C	3,000,000	27 Nov 2015	27 Nov 2015	27 Nov 2018	\$0.173	\$281,661	Non-Executive Chairman Mr Amit Pau
D	10,000,000	27 Nov 2015	27 Nov 2018(ii)	27 Nov 2020	\$0.135	\$1,143,360	5,000,000 each to Nicholas Horton and Steve Tot.
E	18,336,111	27 Nov 2015	16 Jun 2017(ii)	27 Nov 2018	\$0.02	\$2,270,286	Chief Technology Officer David Wilson
H	2,000,000	29 Dec 2015	29 Dec 2015	29 Dec 2018	\$0.107	\$118,628	Non-Executive Director Mr Giles Everist
I	2,000,000	1 June 2016	31 May 2016	1 June 2021	\$0.057	\$50,800	1,000,000 each to Nicholas Horton and Steve Tot

- i. Basis of valuation is based on the Black Scholes Model.
- ii. Options will be vested on its respective vesting dates with no additional conditions.

\*The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted as part of remuneration.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 2017 is as follows:

Directors and Executives	Held at 30 June 2016	On Market Purchases During the Year	Other Changes	Balance at Appointment/ (Resignation) Date	Held at 30 June 2017
Mr Paul Ostergaard	200,523,477	2,500,000	-	-	203,023,477
Mr Michael Edwards	4,296,829	603,941	-	-	4,900,770
Mr Amit Pau*	-	312,500	-	-	312,500
Mr David Wilson	-	-	-	-	-
Mr Steve Tot	100,000	-	-	-	100,000
Mr Giles Everist	-	1,117,558	-	-	1,117,558
Mr Nicholas Horton	350,000	-	-	-	350,000
<b>Total</b>	<b>205,270,306</b>	<b>4,533,999</b>	<b>-</b>	<b>-</b>	<b>209,804,305</b>

\* The Company has received confirmation that Mr Pau does not have a relevant interest in the shares held by Ariadne Capital Limited (Ariadne) and consequently, there was an error on Mr Pau's Appendix 3X and Appendix 3Y previously lodged with the ASX. This requires correction by removing references to securities held by Ariadne in this annual report. The prior year holdings have been amended to reflect the change. Please refer to the ASX announcement dated 18 August 2017 for further details.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 2017 is as follows:

Directors and Executives	Held at 30 June 2016	Granted as Compensation	Options Expired	Balance at Appointment/ (Resignation) Date	Held at 30 June 2017	Vested and Exercisable at 30 June 2017
Mr Paul Ostergaard	19,000,000	-	-	-	19,000,000	19,000,000
Mr Michael Edwards	3,000,000	-	-	-	3,000,000	3,000,000
Mr Amit Pau	3,000,000	-	-	-	3,000,000	3,000,000
Mr Giles Everist	2,000,000	-	-	-	2,000,000	2,000,000
Mr Steve Tot	6,000,000	-	-	-	6,000,000	-
Mr Nicholas Horton	6,000,000	-	-	-	6,000,000	-
Mr David Wilson	18,336,111	-	-	-	18,336,111	18,336,111
<b>Total</b>	<b>57,336,111</b>	-	-	-	<b>57,336,111</b>	<b>45,336,111</b>

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 2017 is as follows:

Directors and Executives	Held at 30 June 2016	Granted During the Year	Vested During the Year	Balance at Appointment/ (Resignation) Date	Vested but not Exercisable at 30 June 2017
Mr Paul Ostergaard	82,724,348	-	-	82,724,348	82,724,348
Mr Michael Edwards	-	-	-	-	-
Mr Amit Pau*	-	-	-	-	-
Mr Steve Tot	-	-	-	-	-
Mr Nicholas Horton	-	-	-	-	-
Mr David Wilson	7,855,548	-	-	7,855,548	7,855,548
<b>Total</b>	<b>90,579,896</b>	<b>-</b>	<b>-</b>	<b>90,579,896</b>	<b>90,579,896</b>

\* The Company has received confirmation that Mr Pau does not have a relevant interest in the shares held by Ariadne Capital Limited (Ariadne) and consequently, there was an error on Mr Pau's Appendix 3X and Appendix 3Y previously lodged with the ASX. This requires correction by removing references to securities held by Ariadne in this annual report. The prior year holdings have been amended to reflect the change. Please refer to the ASX announcement dated 18 August 2017 for further details.

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.

During the financial year ended 30 June 2016, 7,855,548 performance shares issued to David Wilson consisting of 3,927,774 Class A Performance Rights and 3,927,774 Class B Performance Rights expiring at 8th December 2017 and 8th June 2018 respectively. The terms of the Class A and Class B performance rights are the same as the Class A and Class B performance rights issued in the financial year ended 30 June 2015.

During the financial year ended 30 June 2017, no performance shares were granted. 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 (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Key Management Personnel Loans

### *Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director)*

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 2017 \$	Consolidated 2016 \$
Opening balance receivable by the Group	40,469	40,469
Loans proceeds (receivable)	-	-
<b>Total receivable due to the Group</b>	<b>40,469</b>	<b>40,469</b>

### *Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director)*

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

	Consolidated 2017 \$	Consolidated 2016 \$
Opening receivable	58,603	18,739
Loans advanced	-	39,864
<b>Total receivable due to the Group</b>	<b>58,603</b>	<b>58,603</b>

### *Mr Paul Ostergaard – Managing Director*

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

	Consolidated 2017 \$	Consolidated 2016 \$
Opening receivable	-	-
Loans advanced	881	-
<b>Total receivable due to the Group</b>	<b>881</b>	<b>-</b>

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

- END OF AUDITED REMUNERATION REPORT -

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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.

## 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 2017 has been received and can be found on page 53.

## 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Share Options

During the year ended 30 June 2017, 5,000,000 and 1,000,000 unlisted options with an exercise price of \$0.25 and \$0.40 each respectively, expired unexercised (2016: 3,000,000). There were no options exercised during the year (2016: 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	36,004,084	\$0.02	27/11/2018
Unlisted Options	2,000,000	\$0.107	29/12/2018
Unlisted Options	10,000,000	\$0.135	27/11/2020
Unlisted Options	6,000,000	\$0.173	27/11/2018
Unlisted Options	9,500,000	\$0.198	27/11/2020
Unlisted Options	33,333,333	\$0.055	15/07/2018
Unlisted Options	6,400,000	\$0.057	31/05/2021
Unlisted Options	9,500,000	\$0.297	27/11/2020
<b>Total</b>	<b>129,707,818</b>		

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Performance Shares

During the financial year ended 30 June 2017, no performance shares were granted.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read "Paul Ostergaard". The signature is fluid and cursive, with the first name "Paul" being more prominent than the last name "Ostergaard".

**Mr Paul Ostergaard**  
Managing Director  
25 August 2017

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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. The company has a board charter for review on its website and includes the roles, responsibilities, and accountability of the company secretary.

#### *Board Processes*

The Board has established an Audit Committee. The Board has not established 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## *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.

The Board currently has 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 three independent Directors and one non-independent Director.

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; 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

The Board considers Mr Michael Edwards, Mr Giles Everist 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 Amit Pau.

\* 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 \$39,420 per annum. Non-executive Directors do not receive bonuses. The Chairman currently receives remuneration of \$48,000 per annum.

## **Remuneration Report**

The Remuneration Report is set out above and forms part of the Directors' Report for the financial year ended 30 June 2017.

## **Audit Committee**

The Board formed an Audit Committee despite 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 audit committee met twice during the financial 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 2017 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

The responsibilities of the Audit Committee, also 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 Audit Committee 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.

## 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, and it is available on the company's website.

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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## *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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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, management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board assesses the financial reporting risk management and associated compliance and controls on an ongoing basis. The operational and other risk management compliance and controls are also assessed on an ongoing basis. 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. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back (at least annually) on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards. Given the present size of the Company, these assessments are reviewed 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

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

- 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.

## *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 22.

## *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;

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

- 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.

## *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

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

- 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.

## 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.

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## 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	<p>The Board should establish a diversity policy</p> <p>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.</p>
Principle 2: Structure the Board to add value	
2.1	<p>The Board should establish a nomination committee</p> <p>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.</p>
Principle 7: Recognise and manage risk	
7.1-2	<p>The Board should establish a risk committee</p> <p>The Company does not have a Risk Committee. The Board believes that, with only four 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.</p>

# Directors' Report (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

ASX Principle	Reference/comment
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.

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**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NORWOOD SYSTEMS LTD**

As lead auditor of Norwood Systems Ltd for the year ended 30 June 2017, 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 Ltd and the entities it controlled during the period.



**Phillip Murdoch**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 25 August 2017

# Financial Report



For the year ended 30 June 2017

A.C.N. 062 959 540

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 (\$)	Consolidated 2016 (\$)
Revenue	4	204,267	703,386
Cost of Sales		(173,715)	(1,052,910)
<b>Gross Profit/(Loss)</b>		<b>30,552</b>	<b>(349,524)</b>
Interest and other revenue		14,372	88,301
Government grant income	4	1,367,604	308,693
Sales and Marketing	6	(1,171,342)	(5,448,952)
Patent, research and development		(151,960)	(1,524,306)
Information technology infrastructure cost		(444,852)	(354,570)
Employee and director benefits expense	5	(2,595,199)	(2,323,894)
Listing expense		(66,795)	(82,042)
Share based payment expense	18	(2,409,113)	(5,573,271)
Consultancy and subcontractor fees		(95,008)	(45,049)
Legal fees		(74,043)	(44,137)
Rent		(93,988)	(111,330)
Interest expense		(877)	(2,139)
Accountancy and Audit Fees		(158,689)	(233,150)
Other expenses		(152,019)	(205,397)
Travel and Entertainment		(287,431)	(252,870)
Administration expenses		(446,839)	(491,101)
Depreciation		(17,732)	(11,701)
<b>Loss before income tax</b>		<b>(6,753,359)</b>	<b>(16,656,439)</b>
Income tax benefit	7	-	-
<b>Loss after tax for the period attributable to the members of Norwood Systems Ltd</b>		<b>(6,753,359)</b>	<b>(16,656,439)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period attributable to the members of Norwood Systems Ltd</b>		<b>(6,753,359)</b>	<b>(16,656,439)</b>
Basic and diluted loss per share (cents per share) for the year attributable to the members of Norwood Systems Ltd	8	(0.68)	(2.01)

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

# Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 \$	Consolidated 2016 \$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	9	1,481,103	3,888,765
Trade and other receivables		221,823	261,672
<b>Total Current Assets</b>		<b>1,702,926</b>	<b>4,150,437</b>
Non-Current Assets			
Plant and equipment		135,155	59,363
<b>Total Non-current Assets</b>		<b>135,155</b>	<b>59,363</b>
<b>TOTAL ASSETS</b>		<b>1,838,081</b>	<b>4,209,800</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	10	625,170	632,001
Provisions		144,746	151,404
Deferred revenue		78,663	74,032
<b>Total Current Liabilities</b>		<b>848,579</b>	<b>857,437</b>
Non-Current Liabilities			
Provisions		68,227	51,568
<b>Total Non-Current Liabilities</b>		<b>68,227</b>	<b>51,568</b>
<b>TOTAL LIABILITIES</b>		<b>916,806</b>	<b>909,005</b>
<b>NET ASSETS</b>		<b>921,275</b>	<b>3,300,795</b>
<b>EQUITY</b>			
Issued capital	11	24,223,426	22,258,701
Reserves	13	8,129,969	5,720,855
Accumulated losses	14	(31,432,120)	(24,678,761)
<b>TOTAL EQUITY</b>		<b>921,275</b>	<b>3,300,795</b>

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

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance at 1 July 2016	22,258,701	5,720,855	(24,678,761)	3,300,795
Loss for the year	-	-	(6,753,359)	(6,753,359)
Total other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(6,753,359)</b>	<b>(6,753,359)</b>
Transaction with owners, directly recorded in equity:				
Issue of Ordinary Shares, net of transaction costs	1,964,725	-	-	1,964,725
Share Based Payment	-	2,409,114	-	2,409,114
Total transactions with owners	1,964,725	2,409,114	-	4,373,839
<b>Balance at 30 June 2017</b>	<b>24,223,426</b>	<b>8,129,969</b>	<b>(31,432,120)</b>	<b>921,275</b>

	Consolidated			
	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$		\$	\$
Balance at 1 July 2015	12,171,805	352,984	(8,134,222)	4,390,567
Loss for the year	-	-	(16,656,439)	(16,656,439)
Total other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(16,656,439)</b>	<b>(16,656,439)</b>
Transaction with owners, directly recorded in equity:				
Issue of Ordinary Shares, net of transaction costs	10,086,896	-	-	10,086,896
Issue of Options	-	5,479,771	-	5,479,771
Expiry of Options	-	(111,900)	111,900	-
Total transactions with owners	10,086,896	5,367,871	111,900	15,566,667
<b>Balance at 30 June 2016</b>	<b>22,258,701</b>	<b>5,720,855</b>	<b>(24,678,761)</b>	<b>3,300,795</b>

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

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 \$	Consolidated 2016 \$
<b>Cash flows from operating activities</b>			
Receipt from Customers		186,564	580,091
Other Income		-	39,193
Government grants received		1,367,604	304,635
Payments to suppliers and employees		(5,778,463)	(11,522,195)
Interest received		12,945	50,970
Interest paid		(724)	(1,000)
<b>Net cash flows (used in) operating activities</b>	<b>16</b>	<b>(4,212,074)</b>	<b>(10,548,306)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment		(110,313)	(66,338)
Loans to related parties		-	(36,000)
<b>Net cash flows (used in)/from investing activities</b>		<b>(110,313)</b>	<b>(102,338)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,070,996	10,600,001
Share issue costs		(156,271)	(606,651)
<b>Net cash flows from financing activities</b>		<b>1,914,725</b>	<b>9,993,350</b>
Net (decrease)/increase in cash and cash equivalents		<b>(2,407,662)</b>	<b>(657,294)</b>
Cash and cash equivalents at beginning year		<b>3,888,765</b>	<b>4,546,059</b>
<b>Cash and cash equivalents at end year</b>	<b>9</b>	<b>1,481,103</b>	<b>3,888,765</b>

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 2017

## NOTE 1: REPORTING ENTITY

Norwood Systems 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 2017 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.

### Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$6,753,359 and had net cash outflows from operating activities of \$4,211,786. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The directors believe that there are reasonable grounds to believe that the Group will continue as going concern, after considering the following factors:

- The completion of a rights issue during the year to raise \$2,070,996;
- Anticipation of the receipt of R&D Grant of \$920,000.
- Successful launch of the Group's Corona application during the year;
- Active cost cutting measures have been undertaken after year end;
- Ability to raise further capital based on historical success;
- Cash on hand of \$1,481,103 as at 30 June 2017;
- Net assets of \$921,275 as at 30 June 2017.

Should the group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 2: BASIS OF PREPARATION (CONT'D)

### Going Concern (Cont'd)

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 19.

### 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:

#### 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.

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### 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.

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### (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 2017 or for any time during the year. The financial statements of subsidiaries 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) 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.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### (d) 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.

### (e) 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 2017. 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

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) New Accounting Standards and Interpretations (Cont'd)

'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. 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 consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is assessed by the consolidated entity to be insignificant.

### **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2018 but the impact of its adoption is assessed by the consolidated entity to be insignificant as majority sales are made in advance and are straightforward. This assessment has only been performed for current revenue streams and that projects in the pipeline will be assessed when the details are known.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (e) New Accounting Standards and Interpretations (Cont'd)

#### **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 4: REVENUE AND OTHER INCOME

	Consolidated 2017 \$	Consolidated 2016 \$
<b>Revenue</b>		
World Phone Revenue	177,530	700,665
Corona	24,516	-
Other income – Booking.com	2,221	2,721
	<b>204,267</b>	<b>703,386</b>
<b>Government Grant</b>		
Export Market Development Grants	106,555	51,036
Research and Development Grant	1,261,049	257,657
	<b>1,367,604</b>	<b>308,693</b>

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### Interest Revenue

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

### World Phone Revenue

World Phone revenue is recognised based on the stage of completion of the transaction. This is often referred to as percentage of completion method. Under this method, revenue is recognised in the reporting periods in which the services are rendered. The recognition of revenue in this basis provides useful information on the extend of service activity and performance during the period.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### 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.

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 5: LOSS

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

	Consolidated 2017 \$	Consolidated 2016 \$
Directors' fees	131,872	138,921
Employee wages	2,262,623	2,043,170
Superannuation	200,704	141,803
<b>Total employee and director benefits expense</b>	<b>2,595,199</b>	<b>2,323,894</b>

### NOTE 6: SALES AND MARKETING

	Consolidated 2017 \$	Consolidated 2016 \$
<b>Sales and Marketing</b>		
Google customer acquisition fee	84,762	2,058,945
Apple customer acquisition fee	101,128	2,135,132
Advertising free minutes	13,825	693,984
Sales and marketing consultants	971,627	560,892
	<b>1,171,342</b>	<b>5,448,952</b>

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 7: INCOME TAX

Major components of income tax expense

	Consolidated 2017 \$	Consolidated 2016 \$
Accounting loss before income tax	(6,753,359)	(16,656,439)
Income tax benefit at the Company's statutory rate of 27.5% (2016:30%)	(1,857,174)	(4,996,932)
Add:		
Research and development claim	(346,789)	(77,297)
Non-deductible differences	1,254,502	1,671,999
Temporary differences and losses not recognised	949,461	3,402,230
<b>Total income tax benefit for the year</b>	<b>-</b>	<b>-</b>

At 30 June 2017, the Group has an unrecognised deferred tax asset of \$7,491,387 (2016: \$7,800,460) 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.

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

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 7: INCOME TAX (CON'D)

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.

## NOTE 8: 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 2017 \$	Consolidated 2016 \$
Loss used in the calculation of basic and diluted loss per share	(6,753,359)	(16,656,439)
Basic loss per share attributable to equity holders	(0.68)	(2.01)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	987,955,743	828,582,557

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.

### (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.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 8: LOSS PER SHARE (CONT'D)

### (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.

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.

## NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated 2017 \$	Consolidated 2016 \$
Cash at bank	1,481,103	3,888,765
<b>Total Cash and Cash Equivalents</b>	<b>1,481,103</b>	<b>3,888,765</b>

Cash at bank earns interest at floating rates based on daily bank rates. Refer to note 21 on financial instruments for details on the Group's exposure to risk in respect of its cash balance.

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.

## NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated 2017 \$	Consolidated 2016 \$
<b>Current:</b>		
Trade payables	387,213	556,649
Accruals	237,957	75,352
<b>Total Trade and Other Payables</b>	<b>625,170</b>	<b>632,001</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

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

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 11: ISSUED CAPITAL

	2017	2016
	Number of Shares	Number of Shares
Issued Ordinary Shares - no par value (fully paid)	1,100,216,853	968,779,598
<b>Total</b>	<b>1,100,216,853</b>	<b>968,779,598</b>
<b>Opening balance – 1 July 2015</b>	<b>773,859,598</b>	<b>12,171,805</b>
July 2015 – Issue of Shares as consideration for professional services received	1,000,000	20,000
Nov 2015 – Issue of Shares for cash pursuant to a placement to professional and sophisticated investors	70,000,000	5,600,000
Dec 2015 – Issue of Shares for cash pursuant to a Share Purchase Plan prospectus offer	18,749,958	1,500,000
Dec 2015 – Issue of Shares as consideration for professional services received	4,000,000	92,000
Costs of share issues	-	(436,048)
Jun 2016 – Issue of placement shares	100,000,000	3,500,000
Jun 2016 - Issue of Shares as consideration for professional services received	1,170,000	41,945
Costs of share issues	-	(231,001)
Jun 2016 – Cleansing Share	20	-
<b>Closing balance – 30 June 2016</b>	<b>968,779,576</b>	<b>22,258,701</b>
Dec 2016 – Issue of Shares as consideration for professional services received (note 18 (h))	2,000,000	50,000
May 2017 – Shares offered under non-renounceable entitlement issue	129,437,277	2,070,996
Costs of share issues	-	(156,271)
<b>Closing balance – 30 June 2017</b>	<b>1,100,216,853</b>	<b>24,223,426</b>

The Company has unlimited authorised capital.

There are no restrictions on distributions of dividends or repayment of 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 (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 11: ISSUED CAPITAL (CONT'D)

### Loss on Conversion of Debt to Equity

No conversion of debt to equity during the financial year ended 30 June 2017.

### 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 (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 12: PERFORMANCE SHARES AND RIGHTS

#### PERFORMANCE SHARES

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
82,797,535 (30 June 2016: 78,869,761) Class A Performance Shares	-	-
82,797,535 (30 June 2016: 78,869,761) Class B Performance Shares	-	-
	<b>No.</b>	<b>\$</b>
Opening balance – 1 July 2015	157,739,522	-
Closing balance – 30 June 2016	157,739,522	-
Movement during the period	-	-
Closing balance – 30 June 2017	157,739,522	-

#### *Terms and Conditions of Performance Shares*

Class A Performance Shares each convert to one ordinary fully paid share 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 8 December 2017.

Class B Performance Shares each convert to one ordinary fully paid share 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 Class A or Class B Performance Share milestones were met during the current interim period. No Performance Shares were cancelled or converted to ordinary shares during the current interim period.

Consistent with 30 June 2016, no value has been allocated the Performance Shares at 30 June 2017 due to the significant uncertainty of meeting the two performance milestones which are based on future events.

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 12: PERFORMANCE SHARES AND RIGHTS (CON'D)

#### PERFORMANCE RIGHTS

	Consolidated 30 June 2017 \$	Consolidated 30 June 2016 \$
3,927,774 (30 June 2016: 3,927,774) Class A Performance Rights	-	-
3,927,774 (30 June 2016: 3,927,774) Class B Performance Rights	-	-
	<b>No.</b>	<b>\$</b>
Opening balance – 1 July 2015	7,855,488	-
Movement during the period	-	-
Closing balance – 30 June 2016	7,855,488	-
Closing balance – 30 June 2017	7,855,488	-

#### *Terms and Conditions of Performance Rights*

Class A Performance Rights each convert to one ordinary fully paid share 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 Rights is 8 December 2017.

Class B Performance Rights each convert to one ordinary fully paid share 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 Rights is 13 June 2018.

No Class A or Class B Performance Right milestones were met during the current interim period. No Performance Rights were cancelled or converted to ordinary shares during the current interim period.

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

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 13: SHARE BASED PAYMENT RESERVE

	2017	2016
	Number of	Number of
	Options	Options
<b>Issued Options</b>	<b>129,707,818</b>	<b>102,374,485</b>
	<b>No.</b>	<b>\$</b>
Opening balance – 1 July 2015	25,970,401	352,984
Oct 2015 – Option expiry	(1,000,000)	(41,900)
Nov 2015 – Issue of options to Norwood directors, employees, and advisors	71,004,084	5,352,984
Nov 2015 – Option expiry	(2,000,000)	(70,000)
Dec 2015 – Issue of options to Norwood director	2,000,000	118,629
Jun 2016 – Issue of options to employees	6,400,000	8,158
<b>Closing balance – 30 June 2016</b>	<b>102,374,485</b>	<b>5,720,855</b>
Oct 2016 – Option expiry (Note 18)	(1,000,000)	-
Nov 2016 – Option expiry (Note 18)	(5,000,000)	-
Share Based Payment – Further vesting value of options	-	2,409,114
<b>Closing balance – 30 June 2017</b>	<b>96,374,485</b>	<b>8,129,969</b>

#### 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 2017 reflects the value of options issued by Norwood Systems Ltd post reverse acquisition.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 14: ACCUMULATED LOSSES

	2017	2016
	\$	\$
<b>Accumulated Losses</b>	<b>(31,432,120)</b>	<b>(24,678,761)</b>
Opening balance	(24,678,761)	(8,134,222)
Net loss for the financial year	(6,753,359)	(16,656,439)
Expiration of options	-	111,900
<b>Total</b>	<b>(31,432,120)</b>	<b>(24,678,761)</b>

## NOTE 15: 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	
		2017	2016
Norwood Systems Ltd	Australia	100%	100%
Norwood Systems (UK) Pty Ltd	Australia	100%	100%
Norwood Incorporated	USA	100%	100%
Eburnean Resources Pty Ltd	Australia	100%	100%
Vema Resources Pty Ltd	Australia	100%	100%
Monteray Mining Burkina SARL	Burkina Faso	100%	100%

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Note 16: OPERATING CASH FLOW INFORMATION

	Consolidated 2017 \$	Consolidated 2016 \$
<b>Reconciliation of cash flow from operations with loss after income tax</b>		
Loss for the year	(6,753,359)	(16,656,439)
<b>Non-cash items</b>		
Shares issued as consideration for services provided	50,000	-
Share based payments	2,409,114	5,573,271
Depreciation	17,732	11,701
<b>Changes in Assets and Liabilities</b>		
(Increase) / Decrease in Trade and Other Receivables	39,849	(57,039)
Increase / (Decrease) in Trade and Other Payables	14,589	491,988
Increase / (Decrease) in Provisions	10,001	88,212
<b>Cash flows used in operations</b>	<b>(4,212,074)</b>	<b>(10,548,306)</b>

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 17: AUDITOR'S REMUNERATION

	Consolidated 2017 \$	Consolidated 2016 \$
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The auditor of Norwood Systems Ltd is BDO Audit (WA) Pty Ltd

Amounts received or due and receivable by BDO for:

Audit and review services	36,450	35,436
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### NOTE 18: SHARE BASED PAYMENTS

Share based payments made during the year ended 30 June 2017 are summarised below.

#### (a) Recognised Share Based Payment Expense

	Consolidated 2017 \$	Consolidated 2016 \$
Expense arising from equity settled share based payment transactions	2,409,113	5,573,271

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 18: SHARE BASED PAYMENTS (CONT'D)

#### (b) Options Granted During the Year

The company did not issue any options during the financial year.

(ii) Options are vested on its respective vesting dates with the following conditions:

Tranche	Class of Options	Issue Date	Exercise Price	Expiry Date	Vesting Date	Disposal Restriction
A	9,500,000 Managing Director Options	27 Nov 2015	\$0.198	5 years from date of issue	Immediately on issue	Restriction on disposal for 24 months from issue date
A	9,500,000 Managing Director Options	27 Nov 2015	\$0.297	5 years from date of issue	Immediately on issue	Restriction on disposal for 24 months from issue date
C	6,000,000 Director Options	27 Nov 2015	\$0.173	3 years from date of issue	Immediately on issue	None
D	10,000,000 Executive Options	27 Nov 2015	\$0.135	5 years from date of issue	3 years after the issue date	Restriction on disposal until 19 April 2017
E	25,336,111 Employee Options	27 Nov 2015	\$0.02	3 years from date of issue	16 June 2017	Board approval
F	10,167,973 Advisor Options	27 Nov 2015	\$0.02	3 years from date of issue	Immediately on issue	None
H	2,000,000 Executive Options	29 Dec 2015	\$0.107	3 years from date of issue	Immediately on issue	None
I	2,000,000 Executive Options	1 Jun 2016	\$0.057	5 years from date of issue	25% per year of continued employment	None

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.

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 18: SHARE BASED PAYMENTS (CONT'D)

#### (c) Summary of Options Granted

	Consolidated		Consolidated	
	2017	WAEP	2016	WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	102,374,485	\$0.15	25,970,401	\$0.11
Exercised during the year	-	-	-	-
Issued during the year	-	-	79,404,084	\$0.10
Expired during the year	(6,000,000)	(\$0.28)	(3,000,000)	(\$0.26)
Acquired on the acquisition of Norwood Systems Ltd	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>96,374,485</b>	<b>\$0.10</b>	<b>102,374,485</b>	<b>\$0.15</b>
<b>Vested and exercisable</b>	<b>96,374,485</b>	<b>\$0.10</b>	<b>102,374,485</b>	<b>\$0.15</b>

The 30 June 2017 balance is represented by the following:

In the absence of third party vendor invoices and any other information providing a more reliable indication of fair value, all options issued during the period were valued using Black-Scholes option pricing models with the following inputs:

Tranche	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of options (years)	Option exercise price	Share price at grant date
A	-	125%	2.25%	5	\$0.198	\$0.135
B	-	125%	2.25%	5	\$0.297	\$0.135
C	-	125%	2.25%	3	\$0.173	\$0.135
D	-	125%	2.25%	5	\$0.135	\$0.135
E	-	125%	2.25%	3	\$0.02	\$0.135
F	-	125%	2.25%	3	\$0.02	\$0.135
G	-	125%	2.25%	3	\$0.02	\$0.135
H	-	125%	2.25%	3	\$0.107	\$0.085
I	-	108%	2.25%	5	\$0.057	\$0.035

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 18: SHARE BASED PAYMENTS (CONT'D)

#### (e) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of options outstanding at 30 June 2017 is 1.82 years (2016: 3.60 years).

#### (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 (2016: \$0.02 - \$0.40). 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 (2016: \$0.103).

#### (h) Shares issued for consideration of services

During the financial year, 2,000,000 shares were issued to an advisor in consideration for services in relation to corporate advisory during the year. These shares were issued at \$0.025 per share. The total fair value of \$50,000 was treated as an expense in the statement of comprehensive income. The fair value of the shares granted is based on the market rate valuation of the services rendered.

#### *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.

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 19: PARENT ENTITY INFORMATION

	2017 \$	2016 \$
<b>Assets</b>		
Current assets	1,278,634	3,846,518
Non-current assets	-	-
<b>Total Assets</b>	<b>1,278,634</b>	<b>3,846,518</b>
<b>Liabilities</b>		
Current liabilities	151,922	64,514
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>151,922</b>	<b>64,514</b>
<b>Net Assets</b>	<b>1,126,712</b>	<b>3,782,004</b>
<b>Equity</b>		
Issued capital	35,452,236	33,487,510
Reserves	10,145,076	7,735,962
Accumulated losses	(44,470,600)	(37,441,468)
<b>Total Equity</b>	<b>1,126,712</b>	<b>3,782,004</b>
Loss of the parent entity	(22,052,744) <sup>(1)</sup>	(22,052,744) <sup>(1)</sup>
Total comprehensive loss of the parent entity	(22,052,744) <sup>(1)</sup>	(22,052,744) <sup>(1)</sup>

<sup>(1)</sup> Loss includes impairment of intercompany loan and investment of subsidiaries of \$14,837,723 and \$12,269,579 respectively.

The contingent liabilities of the Company are the same as the contingent liabilities of the Group as disclosed at note 24.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 20: 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.

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".

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 20: SEGMENT INFORMATION (CONT'D)

	Voice Telecommunication Services		Corporate		Total	
	Consolidated 2017	Consolidated 2016	Consolidated 2017	Consolidated 2016	Consolidated 2017	Consolidated 2016
<b>Segment income</b>						
Sales Revenue	204,267	703,386	-	-	204,267	703,386
Interest received	13,876	-	-	52,370	13,876	52,370
Government grant income		257,657	1,367,604	51,036	1,367,604	308,693
Other income		-	496	35,931	496	35,931
<b>Total income</b>	<b>218,143</b>	<b>961,043</b>	<b>1,368,100</b>	<b>139,337</b>	<b>1,586,243</b>	<b>1,100,380</b>
<b>Segment expenses</b>						
Cost of Sales	(166,343)	(1,052,910)	-	-	(166,343)	(1,052,910)
Operating expenses	(3,110,156)	(9,534,098)	(2,569,463)	(1,502,797)	(5,679,619)	(11,036,895)
Listing expenses		-	(66,795)	(82,042)	(66,795)	(82,042)
Loss on conversion of debt to equity	0	-	-	-	0	-
Share based payment expenses	0	(4,523,135)	(2,409,113)	(1,050,136)	(2,409,113)	(5,573,271)
<b>Loss before depreciation</b>	<b>(3,058,356)</b>	<b>(14,149,100)</b>	<b>(3,677,271)</b>	<b>(2,356,301)</b>	<b>(6,735,627)</b>	<b>(15,544,358)</b>
Depreciation	(17,732)	(11,701)	0	-	(17,732)	(11,701)
<b>Loss before income tax</b>	<b>(3,076,088)</b>	<b>(14,160,801)</b>	<b>(3,677,271)</b>	<b>(4,712,602)</b>	<b>(6,753,359)</b>	<b>(16,656,439)</b>
<b>Segment assets and liabilities</b>						
Cash	216,801	91,683	1,264,302	3,797,082	1,481,103	3,888,765
Other receivables	192,327	62,472	29,496	199,200	221,823	261,672
Plant and equipment	135,155	59,363	-	-	135,155	59,363
Trade and other creditors	(458,083)	(506,516)	(167,087)	(125,485)	(625,170)	(632,001)
Provisions	(127,784)	(190,794)	(85,189)	(12,178)	(212,973)	(202,972)
Deferred revenue	(78,663)	(74,032)	-	-	(78,663)	(74,032)
	<b>(120,247)</b>	<b>(557,824)</b>	<b>1,041,522</b>	<b>(3,858,619)</b>	<b>921,275</b>	<b>3,300,795</b>

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 21: 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.

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 21: FINANCIAL INSTRUMENTS (CONT'D)

### (d) 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 2017 \$	Consolidated 2016 \$
<b>Financial Assets - Current</b>		
Cash and cash equivalents	1,481,103	3,888,765
Trade and other receivables	221,823	261,672
<b>Total Financial Assets</b>	<b>1,702,926</b>	<b>4,150,437</b>

#### *(ii) Interest Rate Risk*

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

	Range of Effective Interest Rate	Interest Rate Exposure				Total
		Carrying Amount	Variable Interest Rate	Non Interest Bearing	Fixed Interest Rate	
Consolidated 2017	(%)	\$	\$	\$	\$	\$
<b>Financial Assets - Current</b>						
Cash and cash equivalents	0 – 3	1,481,103	1,481,103	-	-	1,481,103
<b>Consolidated 2016</b>						
<b>Financial Assets - Current</b>						
Cash and cash equivalents	0 – 3	3,888,765	3,888,765	-	-	3,888,765

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 21: FINANCIAL INSTRUMENTS (CONT'D)

#### (d) Credit Risk (Cont'd)

##### *(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	Past due but not impaired				Impaired Financial Assets
		Not past due and not impaired	1-3 Months	3 Months to 1 Year	1 Year to 5 Years	
Consolidated 2017	\$	\$	\$	\$	\$	\$
<b>Financial Assets - Current</b>						
Trade and other receivables	221,823	221,823	-	-	-	-
<b>Consolidated 2016</b>						
<b>Financial Assets - Current</b>						
Trade and other receivables	261,672	162,600	-	99,072	-	-

#### (e) 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 2017	Consolidated 2016
	\$	\$
<b>Financial Liabilities - Current</b>		
Trade and other payables	625,170	632,001
<b>Total Financial Liabilities</b>	<b>625,170</b>	<b>632,001</b>

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 21: FINANCIAL INSTRUMENTS (CONT'D)

#### (e) Liquidity Risk (Cont'd)

##### *(ii) Contractual Maturity Risk*

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

Consolidated 2017					
Financial Instrument	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
<b>Financial Assets</b>					
Cash	1,481,103	-	-	-	1,481,103
Other debtors	221,823	-	-	-	221,823
<b>Total financial assets</b>	<b>1,702,926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,702,926</b>
<b>Financial Liabilities</b>					
Trade payables	387,213	-	-	-	387,213
Other payables	237,957	-	-	-	237,957
<b>Total financial liabilities</b>	<b>625,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625,170</b>

Consolidated 2016					
Financial Instrument	6-12 months \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$	Total \$
<b>Financial Assets</b>					
Cash	3,888,765	-	-	-	3,888,765
Other debtors	261,672	-	-	-	261,672
<b>Total financial assets</b>	<b>4,150,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,150,437</b>
<b>Financial Liabilities</b>					
Trade payables	556,649	-	-	-	556,649
Other payables	75,352	-	-	-	75,352
<b>Total financial liabilities</b>	<b>632,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>632,001</b>

# Notes to the Consolidated Financial Statements (Cont'd)

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 21: FINANCIAL INSTRUMENTS (CONT'D)

#### (f) Market Risk

##### *(i) Currency Risk*

The Group's primary operations were in Australia during the years ended 30 June 2017 and 30 June 2016 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 21(f)(iv). The group is not exposed to debt interest rate risk as there is nil debt for 2017 (2016: 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
<b>Consolidated 2017</b>	\$	\$	\$	\$	\$
<b>Financial Assets - Current</b>					
Cash and cash equivalents	1,481,103	15,000	15,000	(15,000)	(15,000)
<b>Consolidated 2016</b>					
<b>Financial Assets - Current</b>					
Cash and cash equivalents	3,888,765	39,000	39,000	(39,000)	(39,000)

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: 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 2017 \$	Consolidated 2016 \$
Short-term employee benefits	889,188	723,522
Post-employment benefits	75,752	55,089
Share Based Payment	1,811,932	3,821,262
<b>Total</b>	<b>2,776,872</b>	<b>4,599,873</b>

### (b) Loans with Key Management Personnel

#### *Ocean Broadband Ltd (Mr Paul Ostergaard – Managing Director)*

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 2017. 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 2017 \$	Consolidated 2016 \$
Opening balance receivable by the Group	40,469	40,469
Loans proceeds (receivable)	-	-
<b>Total receivable due to the Group</b>	<b>40,469</b>	<b>40,469</b>

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: RELATED PARTY TRANSACTIONS (CONT'D)

### (b) Loans with Key Management Personnel (Cont'd)

#### *Ostergaard Family Trust (Mr Paul Ostergaard – Managing Director)*

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

	Consolidated 2017 \$	Consolidated 2016 \$
Opening receivable	58,603	18,739
Loans advanced	-	39,864
<b>Total receivable due to the Group</b>	<b>58,603</b>	<b>58,603</b>

#### *Mr Paul Ostergaard – Managing Director*

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

	Consolidated 2017 \$	Consolidated 2016 \$
Opening receivable	-	-
Loans advanced	881	-
<b>Total receivable due to the Group</b>	<b>881</b>	<b>-</b>

# Notes to the Consolidated Financial Statements (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 23: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No 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 24: CONTINGENT LIABILITIES

The Group has a contingent liability in respect of promotional minutes issued to and unconsumed by customers as at the reporting date. If the full balance of promotional minutes on issue were to be consumed by customers, the maximum cost to the Group is estimated to be \$123,810. The ultimate cost that will be incurred by the Group, if any, is dependent upon a variety of factors including customer consumption, consumption timing, prevailing USD:AUD exchange rates, and supply agreements.

The Directors are not aware of any other contingent liabilities that may arise from the Group's operations as at 30 June 2017.

# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2017

In the Directors' opinion:

- a. the accompanying financial statements set out on pages 54 to 92 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 2017 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 2017.

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

On behalf of the Directors



**Mr Paul Ostergaard**  
Managing Director  
25 August 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Norwood Systems Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Norwood Systems Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is 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 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Share-based payments expense

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in note 18, the value of employee share-based payments that were granted in prior periods and continued to be expensed over their vesting period was \$2,409,113. This is considered to be of significant value and required significant auditor attention. There were no new share based payments during the year under the current employee share scheme.</p> <p>During the year the company made a single share-based payment to an external contractor to the value of \$50,000.</p>	<p>Our audit procedures in respect of this area included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Confirming the value of employee share-based payments granted in the prior periods to the valuation models that were audited in the prior periods;</li> <li>• Assessing the current year employee share-based payment expense was calculated in line with the vesting period and the terms and conditions of the share-based payment agreements;</li> <li>• Considering the impact of any changes to employees during the year on the share based payment expense;</li> <li>• Assessing the valuation of the contractor share-based payment was an appropriate value for services rendered; and</li> <li>• Considering the adequacy of the Company's disclosures in respect of the treatment of share-based payments in the financial statements.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 25 to 38 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Norwood Systems Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

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.

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

**Director**

Perth, 25 August 2017

# ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2017

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 18 August 2017 is 1,100,216,853 ordinary fully paid shares. All ordinary shares carry one vote per share. The Company has used the cash it had at the time of admission to the Official List of the ASX in accordance with its stated business objectives.

### TOP 20 SHAREHOLDERS AS AT 18 AUGUST 2017 (UNCONSOLIDATED HOLDINGS)

		No. of Shares Held	% Held
1	PAUL FREDERICK NORWOOD OSTERGAARD < OSTERGAARD FAMILY A/C>	160,748,681	14.61
2	MR YOGI PTY <MWI SUPERFUND A/C>	54,631,942	4.97
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	47,274,321	4.30
4	MR ROBERT EDWARD MCCLEAVE	34,000,000	3.09
5	KAMUZU NOMINEES PTY LTD <BANDA A/C>	27,951,531	2.54
6	OCEAN BROADBAND LTD	26,474,796	2.41
7	MR MARK WILLIAM ILIFF	16,275,400	1.48
8	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	13,418,792	1.22
9	MR CHRISTOPHER RICHARD HILL <THE CRH A/C>	12,437,500	1.13
10	MR KONSTANTINOS BAGIARTAKIS	12,095,001	1.10
11	MR BENCHUN ZHOU	11,662,091	1.06
12	MR RYAN GRAHAM HOLLINGSWORTH	10,630,000	0.97
13	KAMUZU NOMINEES PTY LTD <BANDA A/C>	10,000,000	0.91
14	MR SIMON SALIBA	8,500,000	0.77
15	JOHN GNUSE	8,432,998	0.77
16	MR MARK ZLATKO SUMICH <MARK SUMICH SUPER FUND A/C>	7,242,551	0.66
17	TERSA PTY LTD	7,000,000	0.64
18	MR RYAN GRAHAM HOLLINGSWORTH <T & L HOLLINGSWORTH S/F A/C>	6,805,208	0.62
19	DOMAEVO PTY LTD <THE JCS A/C NO 2>	6,250,000	0.57
20	MR BERTRAND LALANNE	6,000,000	0.55
	<b>Total</b>	<b>487,830,812</b>	<b>44.34</b>
	<b>Balance of register</b>	<b>612,386,041</b>	<b>55.66</b>
	<b>Grand total</b>	<b>1,100,216,853</b>	<b>100.00</b>

## ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

### SHAREHOLDERS DISTRIBUTION AS AT 18 AUGUST 2017 (UNCONSOLIDATED HOLDINGS) (Cont'd)

Shares Range	No. of Holders	No. of Shares
1 - 1,000	592	59,218
1,001 – 5,000	103	380,044
5,001 – 10,000	227	1,874,630
10,001 – 100,000	1,397	61,569,993
100,001 and over	992	1,036,332,968
<b>Total</b>	<b>3,311</b>	<b>1,100,216,853</b>
<b>Holdings less than a marketable parcel</b>	<b>1,609</b>	<b>17,663,509</b>

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	3,165	1,055,103,410
Overseas holders	109	45,113,443
<b>Total</b>	<b>3,274</b>	<b>1,100,216,853</b>

### Voting Rights

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

### Restricted Securities

There are no restricted securities.

### Substantial Shareholder Notices Received as at 18 August 2017

		No. of Shares Held	% Held
1	Paul Frederick Norwood Ostergaard	200,523,477	18.23%
2	Mr Yogi Pty <MWI Superfund A/C>	54,911,909	5.66%

# ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Option Holdings

The Company has the following classes of unlisted options on issue at 18 August 2017 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
NOROP3	Exercisable at \$0.02 expiring on or before 9 June 2018	16,970,401
NOROP4	Exercisable at \$0.198 expiring on or before 27 November 2020	9,500,000
NOROP5	Exercisable at \$0.297 expiring on or before 27 November 2020	9,500,000
NOROP6	Exercisable at \$0.173 expiring on or before 27 November 2018	6,000,000
NOROP7	Exercisable at \$0.135 expiring on or before 27 November 2020	10,000,000
NOROP8	Exercisable at \$0.02 expiring on or before 27 November 2018	25,336,111
NOROP9	Exercisable at \$0.02 expiring on or before 27 November 2018	10,667,973
NOROP10	Exercisable at \$0.107 expiring on or before 29 December 2018	2,000,000
NOROP11	Exercisable at \$0.057 expiring on or before 2 August 2021	6,400,000
NOROP12	Exercisable at \$0.055 expiring on or before 21 June 2018	33,333,333
		<b>129,707,818</b>

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	6	457,143
100,001 and over	81	129,707,818
		<b>87</b>
		<b>129,250,675</b>

# ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Option Holdings (Cont'd)

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

Holder	Unlisted Options				
	NOROP3	NOROP4	NOROP5	NOROP6	NOROP7
Gold Resources Ltd	15,000,000 88.39%	-	-	-	-
Mr Paul Ostergaard	-	9,500,000 100%	-	-	-
Mr Paul Ostergaard	-	-	9,500,000 100%	-	-
Mr Amit Pau	-	-	-	3,000,000 50%	-
Mr Michael Edwards	-	-	-	3,000,000 50%	-
Mr Steven Tot	-	-	-	-	5,000,000 50%
Mr Nick Horton	-	-	-	-	5,000,000 50%

Holder	Unlisted Options				
	NOROP8	NOROP9	NOROP10	NOROP11	NOROP12
Zaq Investments Pty Ltd <The Wilson Family A/C>	18,336,111 72.37%	-	-	-	-
Andrew Mason	-	9,167,973 85.94%	-	-	-
Mrs Sally Marjorie Everist	-	-	2,000,000 100%	-	-

# ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Performance Share Holdings

The Company has the following classes of performance shares on issue at 18 August 2017 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 <sup>1</sup>	78,869,761
NORPERFB	Performance Shares Class B Performance Shares with various conditions <sup>2</sup>	78,869,761
		<b>157,739,522</b>

### (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
	<b>49</b>	<b>157,739,522</b>

The following Performance Shareholders 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

# ASX Additional Information (Cont'd)

FOR THE YEAR ENDED 30 JUNE 2017

## Performance Rights Holdings

The Company has the following classes of performance shares on issue at 18 August 2017 as detailed below. Performance shares do not carry any rights to vote.

Class	Terms	No. of Perf Rights
NORPERRA	Performance Rights Class A Performance Rights with various conditions <sup>1</sup>	3,927,774
NORPERRB	Performance Rights Class B Performance Shares with various conditions <sup>2</sup>	3,927,774
		<b>7,855,548</b>

(1) Conversion and expiry of Norwood Class A Performance Rights:-  
Upon Norwood generating gross revenue of at least \$200,000 from two separate third party contracts in any 12 month period, 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 Rights:-  
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 Rights Range	Performance Rights	
	No. of Holders	No. of Perf Rights
1 - 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	2	7,855,548
	<b>2</b>	<b>7,855,548</b>

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

Holder	NORPERRA	NORPERRB
Zaq Investments Pty Ltd <The Wilson Family A/C>	3,927,774	3,927,774

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