

5 March 2019

\$1.4 million Capital Raising via the Placement of a Convertible Note and a Fully Underwritten Entitlement Issue

Highlights

- Placement of \$300,000 Convertible Note - completed
- Fully underwritten 1-for-4 renounceable rights issue to existing eligible shareholders at \$0.003 per share to raise approximately \$1.1m (before costs) with one free attaching NOROA Option (ASX:NOROA) for every one share issued, with an exercise price of \$0.008 and expiry date of 31 October 2020
- Norwood will continue to focus on revenue generating contracts related to **World Voicemail**, as part of a renewed focus since the signing of \$1.1m (minimum) contract with Spark NZ
- Cost control exercise ongoing

“Virtual Mobile Communications as a Service” pioneer Norwood Systems Ltd (“Norwood” or the “Company”) (ASX: NOR) is pleased to announce a capital raising comprising the placement of a \$300,000 convertible note (completed) and a \$1.1 million fully underwritten renounceable entitlement issue (**Capital Raising**). The terms of the Capital Raising are as follows:

Convertible Note: Norwood has completed the placement of a Convertible Note to a sophisticated investor (the **Noteholder**) pursuant to section 708 of the Corporations Act (Cth) on the following key terms (refer to schedule 1 for further details):

- Face Value: \$300,000.
- Convertability: at the election of the Noteholder by giving 2 business days notice, into fully paid ordinary shares (**Shares**) at \$0.003 (together with one free-attaching NOROA Option for every Share issued) at any time prior to the maturity date.
- Maturity date: the earlier of the settlement date of the shortfall shares from the Entitlement Issue and 21 June 2019 (**Maturity Date**)
- Redemption: unless converted, redeemed on the maturity date. Alternatively, the Noteholder may elect to redeem the Convertible Note prior to the Maturity Date if a minimum of \$700,000 has been raised under the Entitlement Issue by giving Norwood 5 business days notice.
- Interest rate: 12% per annum in cash
- Unsecured

Please refer enclosed Appendix 3B in respect of the allotment of the Convertible Note.

If the Noteholder elects to convert the Convertible Note, the Company will issue up to 100,000,000 Shares and 100,000,000 NOROA Options to the Noteholder under its placement capacity pursuant to ASX Listing Rule 7.1.

Settlement of the Convertible Note occurred after market close on Friday 1 March 2019.

Entitlement Issue: the issue of up to 361,130,186 Shares through a pro-rata, renounceable entitlement issue of one (1) new Share for every four (4) Shares held by those shareholders with a registered address in Australia and New Zealand at the Record Date at an issue price of \$0.003 per Share to raise up to approximately \$1.1 million (**Entitlement Issue**). Each Share issued under the Entitlement Issue will be issued together with a free attaching NOROA Option on the basis of one (1) NOROA Option for every one (1) Share issued, which will

result in the issue of up to approximately 361,130,186 NOROA Options. The NOROA Options will have an exercise price of \$0.008 and expire on 31 October 2020. The Company will apply for quotation of the NOROA Options.

The issue/conversion price of \$0.003 per Share represents a discount of 15.3% to the 30-day volume weighted average price of \$0.0035 per Share immediately prior to the date of this announcement.

Net proceeds from the Capital Raising will be applied towards working capital in order to continue pursuing revenue generating contracts related to **World Voicemail**, as part of a renewed focus since the signing of a \$1.1m contract with Spark NZ.

Pinnacle Corporate Finance Pty Ltd (**Pinnacle**) is acting as lead manager to the Capital Raising and underwriter to the Entitlement Issue. Pinnacle will receive a fee of a 6% of the total amount raised under the Capital Raising (comprising of management fee of 1.0% and an underwriting fee of 5.0%), and a \$10,000 monthly retainer fee payable up to and including May 2019. In addition, the Company has agreed to issue Pinnacle (or its nominee(s)) 20,000,000 NOROA Options as part consideration for services provided to the Company in connection with the Entitlement Issue. A prospectus for the Entitlement Issue will be lodged with ASIC and ASX in the next couple of days, and will include a timetable in respect of the Entitlement Issue.

Paul Ostergaard, Managing Director, commented on the Capital Raising: "Norwood continues to aggressively to pursue the commercialisation of **World Voicemail**, given the great response by Telcos and customers since its release. We will continue our push to execute material revenue-generating contracts, similar to the Spark NZ contract win late last year. I look forward to keeping the market informed on our progress."

<ENDS>

Company: Paul Ostergaard , CEO & Founder Office: +61 8 9200 3500 Web: www.norwoodsystems.com Twitter: @norwoodsystems, @paulostergaard	Media & Investor Relations: Shane Murphy , FTI Consulting Office: +61 8 9485 8888 email: shane.murphy@fticonsulting.com Mobile: +61 420 945 291 Twitter: @ShaneWMurphy
---	---

About Norwood Systems

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



Norwood's App Portfolio

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

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

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

Schedule 1 – Material terms and conditions of Convertible Note

Face Value	\$300,000
Maturity Date	The earlier to occur of the settlement date of the shortfall shares from the Entitlement Issue [being a minimum amount of shares issued pursuant to the Entitlement Issue of \$700,000] and 21 June 2019.
Conversion	At any time up to the Maturity Date, the Noteholder may elect to convert the Face Value of the Convertible Note in full through the issue of 100,000,000 Shares together with 100,000,000 NOROA Options.
Redemption	<p>The Noteholder may elect to redeem the Convertible Note, by giving written notice to the Company if:</p> <ul style="list-style-type: none"> a) a minimum of \$700,000 has been raised pursuant to the Entitlement Issue prior to the Maturity Date; or b) an event of default (as described under the Convertible Note Agreement) occurs. <p>Provided that the Company has not received notice of the Noteholder's intention to convert or redeem the Convertible Note, the Company redeem the Convertible Note at any time prior to the Maturity Date by giving written notice to the Noteholder.</p> <p>If the Convertible Note has not been redeemed or converted prior to the Maturity Date, the Company must repay the principal sum and all unpaid interest accrued on the Convertible Note on the Maturity Date.</p>
Interest	<p>Interest shall accrue on the principal sum that remains outstanding from the issue date at 12% per annum calculated daily until the earlier of:</p> <ul style="list-style-type: none"> (i) the date on which the Convertible Note is redeemed by the Company and payment of the principal sum with all interest thereon is received by the Noteholder; or (ii) the date on which the Convertible Note is converted to Shares and Options as set out above. <p>Any overdue amounts will incur additional interest at a rate of 15% per annum.</p>
Security	Unsecured.
Representations and warranties	The Company has provided the Noteholder with customary representations and warranties
Quotation	The Convertible Note will not be quoted on the ASX.
Transferability	The Noteholder must obtain the prior written consent of the Company in order to transfer ownership of the Convertible Note.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Norwood Systems Limited

ABN

15 062 959 540

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | a) Fully Paid Ordinary Shares
b) Convertible Note |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | a) 2,200,000 fully paid ordinary shares
b) 1 convertible note |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | a) Fully Paid Ordinary Shares
b) Convertible note with a face value of \$300,000 and redeemable or convertible at the holder's election at a fixed conversion price of \$0.003, with a free attached NOROA Listed Option, as announced to the ASX on 5 March 2019 (refer further details in announcement). |

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>a) Yes</p> <p>b) No, shares issued on conversion of convertible note will rank equally from conversion. The convertible notes attract an interest rate of 12% per annum, and payable in cash in arrears. The attaching options rank equally with existing NOROA listed options.</p>
5	Issue price or consideration	<p>a) Nil. 2,200,000 shares issued in relation to corporate advisory services</p> <p>b) Convertible note: \$300,000</p>
6	<p>Purpose of the issue</p> <p>(If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>a) 2,200,000 shares issued in relation to corporate advisory services.</p> <p>b) Component of capital raising by the issue of convertible notes.</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	29 November 2018
6c	Number of +securities issued without security holder approval under rule 7.1	<p>2,200,000 shares</p> <p>1 convertible note</p>
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil						
6f	Number of +securities issued under an exception in rule 7.2	Nil						
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A						
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A						
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Refer to Annexure 1						
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	1 March 2019						
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>1,444,520,744</td><td>Ordinary shares</td></tr><tr><td>109,040,259</td><td>NOROA Listed options (\$0.008, 31 October 2020)</td></tr></table>	Number	+Class	1,444,520,744	Ordinary shares	109,040,259	NOROA Listed options (\$0.008, 31 October 2020)
Number	+Class							
1,444,520,744	Ordinary shares							
109,040,259	NOROA Listed options (\$0.008, 31 October 2020)							

+ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (<i>including</i> the ⁺ securities in section 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>9,500,000</td><td>Unlisted options (\$0.198, 27 November 2020)</td></tr><tr><td>9,500,000</td><td>Unlisted options (\$0.297, 27 November 2020)</td></tr><tr><td>5,000,000 [5.0m cancelled]</td><td>Unlisted options (\$0.135, 27 November 2020), vesting 27 November 2018</td></tr><tr><td>[expired]</td><td>Unlisted options (\$0.107, 29 December 2018)</td></tr><tr><td>2,650,000 [3.75m cancelled]</td><td>Unlisted options (\$0.057, 2 August 2021) (subject to vesting conditions)</td></tr><tr><td>2,500,000</td><td>Unlisted options (\$0.023, 15 December 2020)</td></tr><tr><td>2,500,000</td><td>Unlisted options (\$0.028, 15 December 2020)</td></tr><tr><td>8,000,000</td><td>Unlisted ZEPO's, expiring 14 December 2020</td></tr><tr><td>1</td><td>Convertible note with a face value of \$300,000. Refer ASX Announcement 5 March 2019.</td></tr></table>	Number	⁺ Class	9,500,000	Unlisted options (\$0.198, 27 November 2020)	9,500,000	Unlisted options (\$0.297, 27 November 2020)	5,000,000 [5.0m cancelled]	Unlisted options (\$0.135, 27 November 2020), vesting 27 November 2018	[expired]	Unlisted options (\$0.107, 29 December 2018)	2,650,000 [3.75m cancelled]	Unlisted options (\$0.057, 2 August 2021) (subject to vesting conditions)	2,500,000	Unlisted options (\$0.023, 15 December 2020)	2,500,000	Unlisted options (\$0.028, 15 December 2020)	8,000,000	Unlisted ZEPO's, expiring 14 December 2020	1	Convertible note with a face value of \$300,000. Refer ASX Announcement 5 March 2019.
Number	⁺ Class																					
9,500,000	Unlisted options (\$0.198, 27 November 2020)																					
9,500,000	Unlisted options (\$0.297, 27 November 2020)																					
5,000,000 [5.0m cancelled]	Unlisted options (\$0.135, 27 November 2020), vesting 27 November 2018																					
[expired]	Unlisted options (\$0.107, 29 December 2018)																					
2,650,000 [3.75m cancelled]	Unlisted options (\$0.057, 2 August 2021) (subject to vesting conditions)																					
2,500,000	Unlisted options (\$0.023, 15 December 2020)																					
2,500,000	Unlisted options (\$0.028, 15 December 2020)																					
8,000,000	Unlisted ZEPO's, expiring 14 December 2020																					
1	Convertible note with a face value of \$300,000. Refer ASX Announcement 5 March 2019.																					
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A																				

Part 2 - Pro rata issue

- | | | |
|----|--|--|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the +securities will be offered | |
| 14 | +Class of +securities to which the offer relates | |
| 15 | +Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has security holders who will not be sent new offer documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |

+ See chapter 19 for defined terms.

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	
25	If the issue is contingent on security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do security holders sell their entitlements <i>in full</i> through a broker?	
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do security holders dispose	

+ See chapter 19 for defined terms.

of their entitlements (except by sale through a broker)?

33 ⁺Issue date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000

1,001 - 5,000

5,001 - 10,000

10,001 - 100,000

100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A	
39	+Class of +securities for which quotation is sought	N/A	
40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	N/A	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	N/A	
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: [lodged electronically without signature]
..... Date: 5 March 2019
(Director/Company Secretary)

Print name: Steven Wood
.....

== == == == ==

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	1,165.430,387
Add the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	21/3/2018 – consideration shares for services provided – 2,000,000 21/3/2018 - 80,000,000 – Placement 27/4/2018 – 48,560,000 – share purchase plan 30/4/2018 – SPP Shortfall (underwritten) – 31,440,000 15/6/2018 – 98 – conversion of performance shares on expiry 14/12/2018 – 109,040,259 – 2 for 11 entitlement issue 14/12/18 – 2,500,000 – conversion of ZEPO's
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	1,438,970,744

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	215,845,612
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>14/12/18 – 3,350,000 – advisory shares</p> <p>01/03/19 – 2,200,000 – advisory shares</p> <p>01/03/19 – 100,000,000 – maximum shares potentially issued on conversion of convertible note</p> <p>01/03/19 100,000,000 - maximum options potentially issued on conversion of convertible note</p>
“C”	205,550,000
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	215,845,612
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	205,550,000
Total [“A” x 0.15] – “C”	<p>10,295,612</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,438,970,744
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	143,897,074
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	143,897,074
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	143,897,074 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.