

ASX ANNOUNCEMENT

31 January 2019

Norwood Corporate Overview and App 4C for December 2018 Quarter

Highlights

- **268% quarterly growth in customer receipts** from \$59K to \$217K
- **18.7% quarterly improvement in underlying gross operating cash outflow**
- **33.9% quarterly improvement in underlying net operating cash outflow**
- **Signed a four-year contract with Spark NZ for the supply of software licences** and professional services with minimum estimated contractual committed revenue to Norwood of approximately NZD 1.1 million
- **Released version 2.0 of World Voicemail for iOS** featuring Norwood's first wholly internally developed machine learning module, designed to classify urgent voicemails automatically and provide different alert tones for such messages, and positioning Norwood's voicemail platform as one of the world's leading platforms for telco voicemail services
- **Partnership with Mobile Virtual Network Enabler (MVNE) EConnect** to co-market products to both companies' respective customer bases under a Strategic Partnership Agreement (SPA)

'Communications as a Service' pioneer Norwood Systems Ltd (Norwood or the Company) (ASX: NOR) is pleased to provide an overview of the Company's activities for the December 2018 quarter and the accompanying Appendix 4C cashflow report.

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

"We've made substantial progress over the past quarter. In particular we were thrilled to partner with Spark NZ, culminating with the signing of a multi-million dollar contract late in the year with Spark NZ for delivery of telco-grade software components, associated software licenses and professional services.

"This is a significant achievement for Norwood, being the largest commercial contract that the Company has signed to date. It is also Norwood's first contract with an incumbent telco operator and follows a successful and extensive pilot by Spark of Norwood's software technologies over the past quarter.

"Norwood understands that it won this contract in the face of strong competition from other well-established telco vendors. This win underscores the competitiveness and the value that Norwood's new telco-grade software platform delivers, and it represents huge validation of our technology while delivering an important, material new income stream to our business.

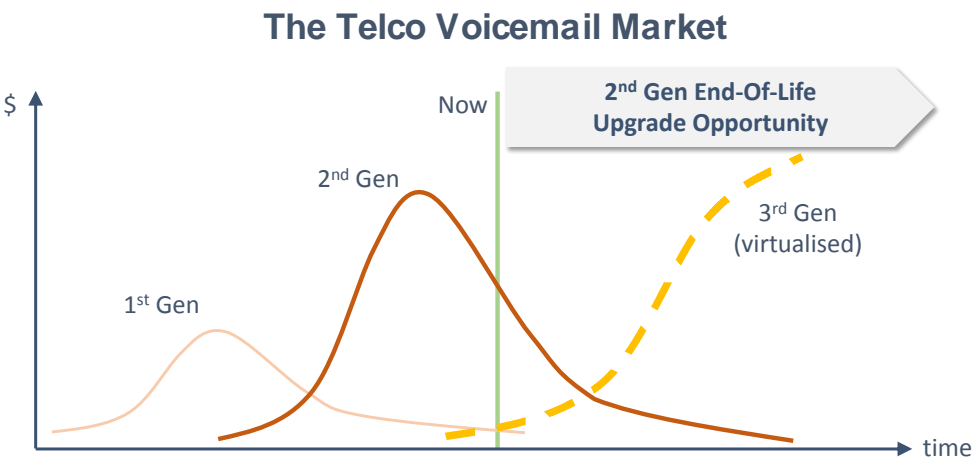
*"This win has further generated major interest and overall momentum for Norwood's offerings from a number of telcos and telco partners worldwide, already yielding several additional commitments from other telco operators to proceed with free-of-charge pilots of certain Norwood software technologies and Apps during the quarter, for example our new **World Voicemail 2.0** offering. Norwood's entire focus currently is on rapidly capitalising on this market interest with intense business development efforts, supported by further product enhancements during the quarter.*

“Additionally, it is very pleasing to report material improvements in quarterly cash receipts, as well as in our net and gross cash burn, reflecting ongoing efforts by the team to improve business operations going forward.

“I would like to thank the shareholders for their continued support in us and look forward to updating the market on our commercialisation objectives over the coming quarters.”

Sales and Commercialisation Activities

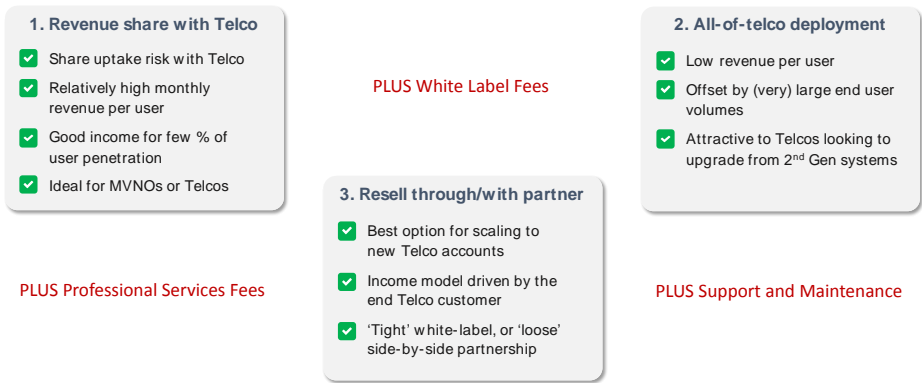
Norwood’s Current Focus – The Telco Voicemail Market



The Company has successfully executed an outreach to telcos and MVNOs during the past six months to pitch the value of its technology platforms, software and services, resulting both in contracts and intents by telcos to pilot one or more of Norwood’s communications services offerings.

In particular in relation to **World Voicemail**, Norwood’s has now developed an understanding that there are potentially many telcos considering what to do with their ageing legacy voicemail platforms, representing a substantial market opportunity for vendors who are able to deliver new voicemail services with improved usability and modernised functionality.

Norwood’s approach to monetising its **World Voicemail** platform in the telco market follows three separate approaches.



Three approaches to monetising Norwood’s platforms and technologies with telco customers

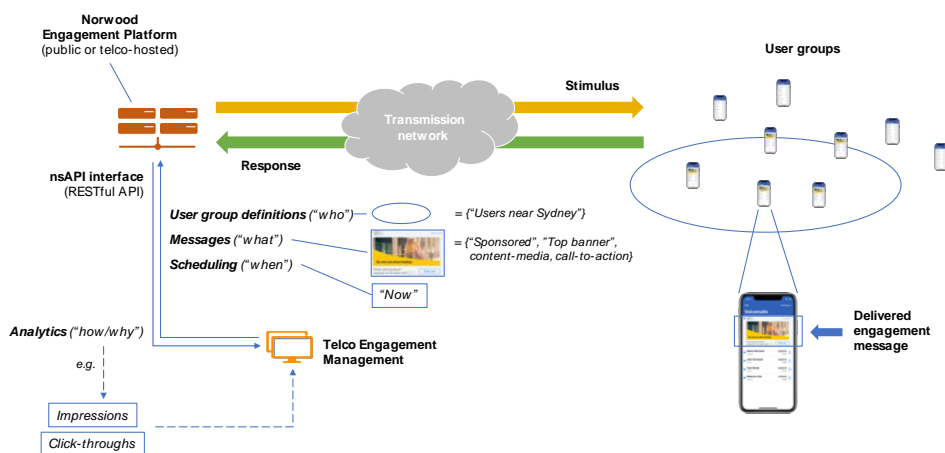
In Norwood’s limited experience to date, MVNOs are more likely to opt for the Revenue Share model to offer **World Voicemail** as a premium service to selected high-value customers, while existing telcos are more likely to consider an “all-of-telco” deployment, particularly if they are currently sitting on legacy “end-of-life” voicemail platforms.

Why Norwood's approach is different

A unique aspect of Norwood’s go-to-market strategy for **World Voicemail** is to make it a tool for telcos to re-engage with their customer base. Since voicemails are checked on a near daily basis, it provides an ideal potential engagement platform, but only if the customer is using a visual voicemail interface and only if the telco is not dependent on using the standard “native” version of visual voicemail as delivered by Apple or Google.

Engagement only really works for visual voicemail when the user interface is under the control of the telco, rather than the manufacturer of the smartphone device. Norwood's **World Voicemail** solution, which uses a custom standalone App, is therefore key to unlock the potential to engage with the customer base.

Engagement Model – Under the Hood



Norwood's Engagement API to facilitate telco-to-customer engagement

Spark NZ contract

During the quarter, Norwood was pleased to announce it had signed a contract with Spark NZ, New Zealand's leading digital services provider.

The contract is anticipated for four years and includes committed upfront payments for initial development, installation and commissioning works to be supplied by Norwood for smartphone App software development and associated software component licenses, as well as recurring fees for a baseline minimum number of user licenses over the contract period.

Spark is New Zealand's leading digital services provider and one of the largest companies by value on the New Zealand Stock Exchange. As of 30 June 2018, Spark had 2.4 million mobile connections and 700,000 broadband connections.

This contract is a significant achievement for Norwood – the supply of software licences, white label Apps and professional services will deliver a minimum estimated committed revenue to Norwood of approximately NZD 1.1 million.

Norwood notes that it expects the ultimate expected value of this contract to be somewhat higher than the estimated minimum committed amount and is currently in the process of calculating the estimated business plan value to Norwood over the four years of the contract (i.e. expected value, as opposed to the minimum committed contract value). Norwood hopes to report back to the market on its estimated forecast value of the contract in the very near term.

ECConnect Strategic Partnership Agreement (SPA)

In December, Norwood signed a SPA with ECConnect, a leading provider of all-in-one provisioning, billing and client management solutions for telco carrier Wholesale Service providers.

Under the SPA, Norwood and ECConnect have agreed to establish a framework under which ECConnect and Norwood will co-market each other's services to their respective customer bases. In addition, the companies will jointly identify further opportunities for the mutual advantage and benefit of both parties.

This partnership will greatly assist Norwood with its current outreach to Australian Mobile Virtual Network Operators (MVNOs). ECConnect is the preferred operations and management platform for a majority of Optus's MVNOs and therefore presents an ideal route to market for Norwood to address those targeted MVNO opportunities.

Both parties are working together to establish frameworks for co-marketing activities, finalising terms and covering all aspects of the partnership, including commercial terms with a target launch date expected within the upcoming months.

Partnerships pending with Telco Core Network Vendors

Over the past quarter, Norwood has been developing relationships with two significant telco vendors (Oracle plus one other vendor) whose offerings complement Norwood's World Voicemail solution. Both of these parties have responded very positively to Norwood's recent telco voicemail contract win, demonstrating a genuine intent (from Norwood's perspective) to strike go-to-market deals with Norwood to address the telco voicemail network upgrade market opportunity.

Norwood expects both of these relationships to evolve into formal partnership structures over the course of this current quarter, with very positive discussions advancing during the month of January 2019 to date. Norwood's goal in partnering with these two vendors is to augment Norwood's own direct telco sales efforts for its visual voicemail platform. Each of these vendors have hundreds of existing telco relationships and they therefore each represent a robust indirect channel opportunity to boost Norwood's traction in the worldwide telco market.

As such partnership structures are formalised this quarter, Norwood will make appropriate announcements, and will elaborate on the "go-to-market" plans that each partnership will address.

Sidebar: It is worth noting that many parties engaging with Norwood believe the future for voicemail is quite bright, given the increasing emphasis and growing use of voice interfaces in human-to-machine environments, for example with the Amazon Alexa platform. In their view (shared by Norwood) voice ultimately will be a far more natural way of interacting with IT systems than when using text and keyboard interfaces. Voice usage therefore is likely to increase over time as a preferred engagement medium.

Telco World Voicemail pilots due to commence this quarter

Since its contract win, Norwood has been engaging with a number of prospective telco operators and Mobile Virtual Network Operators (MVNOs). The Company has evolved a generalised approach to engage with and close targeted telco prospects, based on its recent success with Spark NZ.

By way of example, Norwood's primary sales strategy for the **World Voicemail** solution consists of developing a deep understanding within a targeted telco of why the **World Voicemail** offering "moves the dial" in terms of an improved end-user experience. This deep understanding is best developed by offering the telco decision makers an unlimited user "free-off-charge", and "low-touch" pilot of the World Voicemail service. To the best of Norwood's understanding, other active telco voicemail vendors are not able to offer an equivalent immediate "low-touch" trial of their voicemail service, making it an excellent differentiator during early engagements with the telco.

Norwood’s experience to date has been that once such a free-of-charge pilot is in place, pilot user numbers within the telco can grow rapidly and virally, due to the excellent and transformative user experience that **World Voicemail** provides to end users.

The ability to put Norwood’s **World Voicemail** service effectively immediately into the hands of large numbers of internal telco users and associated decision makers was (in Norwood’s opinion) a key factor that is contributing to Norwood’s current traction in the telco market.

In the month of January 2019, post-quarter end, Norwood’s sales team have obtained early commitments to undertake such internal pilots of the **World Voicemail** service with several major international telcos (each with more than 10 million subscribers), commencing this quarter.

Norwood will provide further details in respect of the terms of the pilots at the appropriate time.

Oracle

During the quarter Norwood has engaged with several Oracle operating units up to the Senior Vice President level, including the Communications Global Business Unit, reflecting increasingly senior engagement with Oracle decision makers. Conversations are well progressed with a view to engaging commercially on a mutual go-to-market strategy, in particular for the telco voicemail market as noted above.

Post quarter, Norwood’s CEO was invited to speak at Oracle’s premier European partner event, Oracle OpenWorld in London in mid-January, alongside other speakers from CERN, Galliford Try and Oracle, which provided a good platform for improving Norwood visibility with Oracle’s customers and partners. (See: <https://www.oracle.com/uk/openworld/agenda.html>)

Affinion

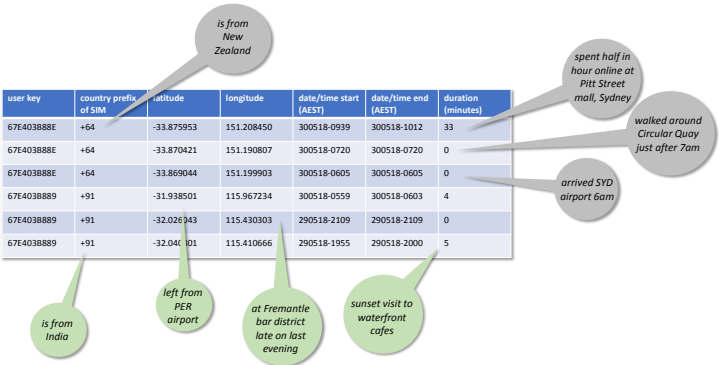
Norwood is awaiting a response near term from Affinion to progress with further commercial engagement on using World Secure as a loyalty benefit in the European financial services sector.

Thomas Cook

On hold pending operational go-to-market aspects at the client end.

Tourism WA

Norwood has commenced a paid proof of concept project with Tourism WA using the World Wi-Fi App as a platform to capture detailed analytics for selected inbound visitors to Western Australia.



Example of World Wi-Fi data analytics capabilities

Virtual Business Mobile Services

No further developments to report. Norwood has engaged with several existing large prospects during the quarter, and is awaiting in one instance for the completion of a certain large financial institution's MDM rollout as a precursor to progressing further with that specific client.

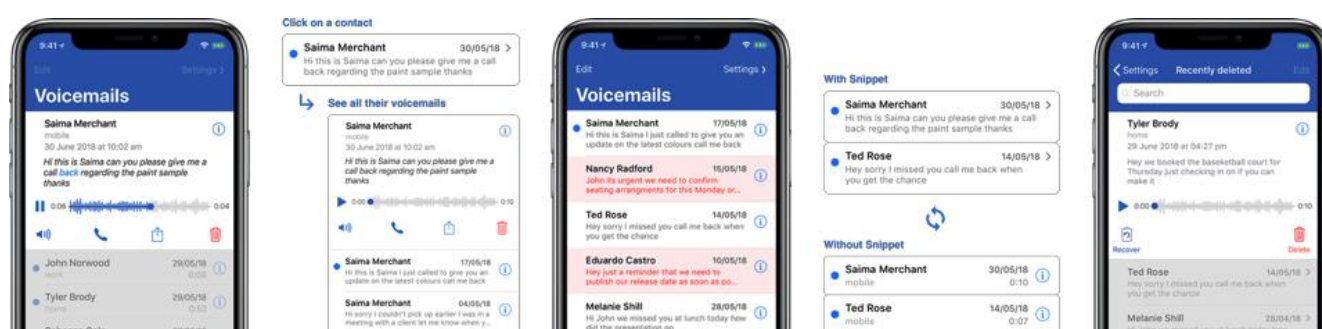
Longer term, as noted in other previous announcements, Norwood will consider focusing more on the network-side components for its CRM and Compliance integration technologies, to take advantage of the eventual emergence of e-SIM capable phones in the installed base.

Product Development Activities

Given the recent contract win with Spark NZ, the Company's primary focus since signing has been on completing the development of Norwood's telco-grade software platform to fulfil that contract.

As a result, Norwood has temporarily paused most other developments until the deliverables required for the Spark contract have been completed, with work on other platforms expected to resume mid-quarter.

World Voicemail 2.0



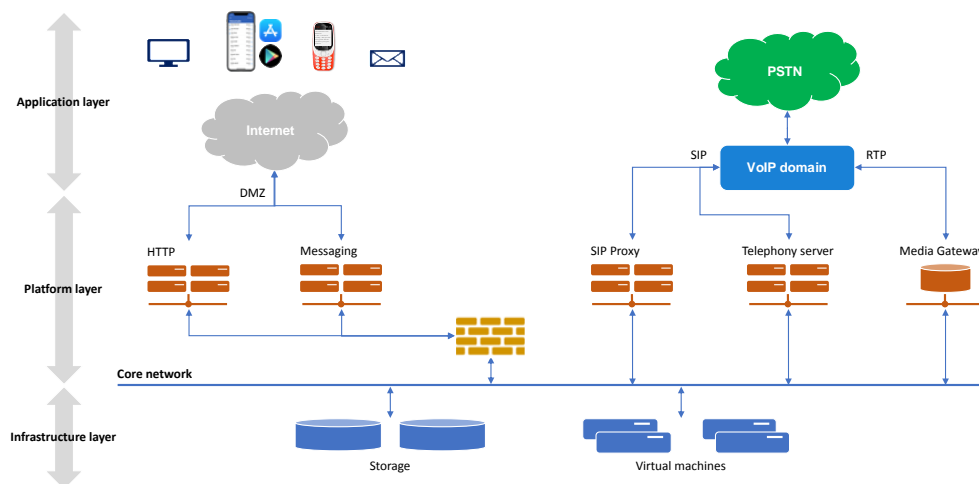
New Features delivered in World Voicemail 2.0

The Company released major new advancements in version 2 of World Voicemail for iOS including support for both server-side integration of **World Voicemail** into telco networks and support for server-side enablement of World Voicemail as voicemail front-end to enterprise phone networks. Both of these features are to support active discussions with potential and signed customers.

Norwood's new internally developed Machine Learning Urgency Filter now detects urgent voicemails automatically, with 97-98% accuracy in classifications, this arising from Norwood's own internal machine learning research. Urgent messages are highlighted in-App per message for easy viewing and users are notified with differentiated alert tones when urgent messages are detected.

An Android version of **World Voicemail 2.0** is under development and will be released in the coming months.

Norwood's Telco Core Network Voicemail Platform



Norwood's Core Network Telco Architecture

Norwood's new core network **World Voicemail** platform will provide a valuable alternative architecture for telco operators who want to operate their own core network, rather than rely on an external hosted solution. This will provide Norwood with the ability to cater for a broad range of deployment models, depending on the telco's own requirements.

Norwood's core network telco solution will address several key emerging requirements for best practice telco core network service architecture, including support for both "virtualisation" and "containerisation", specifically including support for Network Function Virtualisation (NFV) and Kubernetes orchestration architectures, respectively.

Corporate

During the quarter, the Company held a live audio Question and Answer ("Q&A") Investor Webinar session with the CEO and Founder Mr Paul Ostergaard. A recording of the webinar session is available for replay at: <https://register.gotowebinar.com/recording/85909636915017987>

Capital Raising

During the quarter, Norwood successfully closed a Rights Issue, raising a total of \$545,201.30. The entitlement issue provided existing shareholders an opportunity to acquire 2 new shares for every 11 existing shares held at an issue price of \$0.005, plus one additional free attaching Option for every one share issued (with an exercise price of \$0.008 and expiring on 31 October 2020). The Company received valid applications from shareholders under the Entitlement Issue for \$319,821.00 with additional applications for a further \$225,380.30.

The entitlement issue was previously underwritten by Pinnacle Corporate Finance Pty Ltd ("Pinnacle"). Subsequent to the closing of the entitlement offer, Pinnacle provided the Company with a notice of termination of the underwriting agreement. Please refer to the Supplementary Prospectus lodged with the ASX on 29 October 2018 for further background on the termination clause that was triggered.

The Board continues to manage the capital requirements of the Company to ensure the capital needs of the company in the coming quarter will be met. This consideration includes the possibility of other material revenue generating contracts additional to the Spark NZ contract.

<ENDS>

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About Norwood Systems

Norwood Systems Ltd (ASX: NOR) is revolutionizing mobile voice, messaging, data and cyber security services through its pioneering award-winning virtual mobile services platform, Corona® and 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 telcos, large enterprises and government agencies.

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

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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

NORWOOD SYSTEMS LIMITED

ABN

15 062 959 540

Quarter ended ("current quarter")

31 December 2018

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (6 Months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		217	276
1.2 Payments for			
(a) research and development		(317)	(680)
(b) product manufacturing and operating costs		(154)	(292)
(c) advertising and marketing		-	(25)
(d) leased assets		-	-
(e) staff and sales consultants costs		(268)	(640)
(f) administration and corporate costs		(219)	(500)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	1
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	895
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(740)	(965)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		-	-
(b) businesses (see item 10)		-	-
(c) investments		-	-
(d) intellectual property		-	-
(e) other non-current assets		-	-
2.2 Proceeds from disposal of:			
(a) property, plant and equipment		-	-
(b) businesses (see item 10)		-	-

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year to Date (6 Months) \$A'000
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	545	545
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	147	147
3.6	Repayment of borrowings	-	(387)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	692	305
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	466	1078
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(740)	(965)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	692	305
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	418	418

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	366	414
5.2 Call deposits	52	52
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	418	466

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

92

-

- Managing Director's salary, Non-Executive Director's fees

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	147	147
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Key Facility Terms:

- Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital
- Amount: 80% of the expected R&D tax offset resulting from each period's eligible R&D expenditures, with principal and interest repaid from the actual tax offsets at the end of the financial year.
- Final Maturity Date: 30/9/2019
 - Norwood has the option to repay earlier without penalties.
- Interest Rate: 14% per annum
- Security: Secured against the R&D refund receivable from the ATO
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditures.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(267)
9.2	Product manufacturing and operating costs	(64)
9.3	Advertising and marketing	(33)
9.4	Leased assets	-
9.5	Staff and Sales Consultants Cost	(271)
9.6	Administration and corporate costs	(244)
9.7	Total estimated cash outflows	(879)

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

Compliance statement

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

[lodged electronically without signature]

31 January 2019

Sign here:
(Director/Company secretary)

Date:

Steven Wood

Print name:

Notes

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