

ASX ANNOUNCEMENT

29 April 2022

Norwood Corporate Overview and App 4C for March 2022 Quarter

Highlights

- Formed a new global technology and services supply relationship with Infosys, securing two contracts under the relationship:
 - The supply of a subscription-based communications solution to a Germany-based client of Infosys
 - Delivery of a Proof of Concept product for a Tier 1 telco operator in Australia and Infosys client
- Receipts from customers for the March 2022 quarter totalled \$172,000, compared to \$212,000 in the December quarter, with cash inflows from Infosys contracts set to rise in the next couple of quarters.
- FY22 year to date receipt from customers reach \$798,000, up from \$770,000 in the prior corresponding period
- Targeting a beta release of the forthcoming Aïda Intelligent Assistant service in the current quarter.
- Raising \$280,000 via Convertible Notes, and Board to take full shortfall of separate Option Offer

‘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 March 2022 quarter and the accompanying Appendix 4C cashflow report.

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

“The quarter marked a strong step forward in advancing Norwood’s growth strategy, as we established a global technology and services supply relationship with Infosys and have already begun to reap the rewards with the attainment of our first two contracts under the relationship.

“During the quarter we dedicated significant focus to securing and mobilising these contracts. With these two contracts secured, we anticipate an increase in revenue (in line with previously advised amounts) stemming from these projects in the coming quarters, providing a robust basis for the new Infosys relationship.

“Norwood is well positioned to translate any increase in revenue into enhanced net operational cash flows over the long-term. as result of our continued attention to prudent cost control, as well as the margin structure of the contracts signed.

“Additionally, the work Norwood is delivering under the global technology relationship with Infosys leverages the Company’s elastically scalable, high-availability, cloud-native platform architecture that it has developed for deploying its core communications service platforms.

“One such platform is our forthcoming Aïda Intelligent Assistant service, which we are targeting a beta release of in the current quarter.

“It is also very pleasing to see strong Director funding support for Norwood via the Convertible Notes raise and the Option Offer, which will enable Norwood to progress its growth strategy and emphatically demonstrates the Board’s confidence in Norwood’s future prospects.”

Sales and Commercialisation Activities

Global Technology Relationship with Infosys and Subsequent First Contract

On 4 March 2022, Norwood announced that it formed a new global technology and services supply relationship with Infosys Limited (Infosys), a global leader in next-generation digital services and consulting.

Norwood has been onboarded as an Approved Vendor to Infosys, following a rigorous and comprehensive qualification process, to provide a portfolio of advanced telecommunications services to Infosys and its clients, globally.

Under the global technology and services supply relationship, Norwood entered into a contract (First Project) with Infosys whereby Norwood will supply a communications solution to a Germany-based client of Infosys.

Under the scope of the initial 12-month contract, Norwood expects to receive approximately \$170,000 in revenue, with discussions for a longer-term contract following the one-year contract agreement currently underway and progressing very positively.

As Norwood is producing a subscription-based solution under this project, Norwood has the potential to generate ongoing recurring revenue in the long-term stemming from this agreement, should additional contract extensions be agreed.

The bespoke global communications solution that Norwood is delivering under this first contract leverages the Company's elastically scalable, high-availability, cloud-native platform architecture that it has developed for deploying its core communications service platforms; Aida and World Voicemail.

Second contract secured with Infosys

On 25 March 2022, Norwood announced that it received a new contract from Infosys (Second Project), as part of the global technology relationship.

The Second Project encompasses delivery of an advanced Proof of Concept (POC) communications solution for a major Tier 1 operator in Australia and Infosys client, with an end-client and application focus that will showcase Norwood's cutting-edge artificial intelligence capabilities for advanced call management applications.

The Company expects to receive approximately \$180,000 in revenue from the contract, which is scheduled to be completed by mid-July this calendar year.

The contract leverages the broader formal global technology relationship that Norwood recently developed with Infosys to deliver innovative SaaS-based solutions to Infosys end clients, globally.

Spark NZ Contract

As referenced in the June 2021 quarterly announcement on 30 July 2021 and announced during the September 2021 quarter on 16 July 2021, long-term customer Spark NZ supplied Norwood with a Purchase Order worth approximately NZD\$639,000 (c. AUD\$603,000) for services to be provided across the 2022 financial year.

The Purchase Order comes under an agreement between the Company and Spark NZ that was initially announced on 30 January 2020 ("Agreement").

Throughout the March quarter Norwood continued to successfully progress its Agreement with Spark NZ, which encompasses the Company providing Spark NZ with a Spark-branded version of Norwood's World Voicemail service and application, for use by Spark NZ subscribers.

Convertible Note Raise

On 28 March 2022, Norwood announced it executed a binding terms sheet and issued 280,000 convertible notes with a face value of \$1 each to Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant, to raise \$280,000 for the Company.

The Company intends to seek relevant shareholder approval at a General Meeting to be convened in May or June 2022 to enable the conversion of convertible notes to shares and options, pursuant to the above terms.

The funds raised will enable the Company to build on the positive momentum it generated during the March quarter and capture additional near-term opportunities.

Directors Take Full Option Shortfall

On 28 March 2022, Norwood announced the Board agreed to fully subscribe for the NOROC Shortfall Options in accordance with its Prospectus dated 16th February 2022 ('NOROC Option Offer') subject to shareholder approval at an upcoming General Meeting to be held in May or June 2022.

The NOROC Option Offer offered up to 66,356,636 NOROC Options. The Options have an issue price of \$0.002 per option, exercisable at \$0.08 expiring 3rd March 2023. The Company announced on 3rd March 2022, the shortfall amount of 34,457,676 Options and an allotment at that time of 7,759,025 options under the shortfall offer, leaving a net shortfall of 26,698,651 options. On 8 March 2022 an Appendix 3G was lodged with ASX for 39,657,985 NORAO unquoted options.

The Board has now resolved to fully subscribe for the remaining shortfall options in accordance with the prospectus which will be subject to Shareholder approval at a General Meeting.

Members of the Board will subscribe for shortfall options in line with the following table:

| Name | Shortfall Options | Subscribed amount |
|-----------------|--------------------------|--------------------------|
| Paul Ostergaard | 5,000,000 | \$10,000 |
| Dr John Tarrant | 14,198,651 | \$28,397 |
| Philip Otley | 2,500,000 | \$5,000 |
| Philip Marsland | 5,000,000 | \$10,000 |
| TOTAL | 26,698,651 | \$53,397 |

Product and Service Development Activities

AïDA – Norwood’s forthcoming Intelligent Assistant service

Aïda is targeted at communication service providers (“telcos”), particularly those who are interested in modernising their general inbound voice call completion network services, to serve as a 5G Voice Innovation Service for the telcos’ small and midsize business (SMB) or prosumer subscribers.

Aïda’s portfolio of capabilities is ideally suited to supporting end-users who work in small businesses or are sole traders and who generally would struggle to fund a human personal assistant. It has a “dynamic transactional memory” that aids the service considerably in building robust and engaging dialogue flows.

Norwood has, through its own development efforts, developed a proprietary approach to detecting end-user intents with great reliability, which the Company is calling “Elastic Attention™”. This powers Aïda’s ability to maintain total fluidity in a conversation, whilst also having a precise focus on what the caller wants to achieve. The Company is currently in the process of filing provisional patents for Elastic Attention, as well as two other innovations that the company has not yet disclosed publicly.

In the September 2021 quarter, the Company started to market Aïda to both prospective network operators and vendor partners. Norwood has so far received a universally positive response, with preliminary commercial interest already apparent, and the Company has progressed several discussions to advanced stages with operators and telco vendor partners around the world.

The Second Project Norwood is delivering under the Global Technology Relationship with Infosys leverages the Company’s elastically scalable, high-availability, cloud-native platform architecture that it has developed for deploying its core communications service platforms, some of which encompasses technologies that the Company has developed for the Aïda platform.

Business Activities Expenditure

In accordance with ASX Listing Rule 4.7C.1, with respect to business activities expenditure, Norwood can confirm there was an increase in in business expenditure by \$107,000 in comparison to the previous quarter expenditure.

Total direct business expenditure was \$530,000 for the March 2022 quarter (vs \$691,000 last quarter), consisting of research and development expenses of \$187,000 (vs \$232,000), operating costs of \$69,000 (vs \$89,000), staff costs of \$125,000 (vs \$157,000), and administration and corporate costs of \$149,000 (vs \$213,000).

Net cash used in the operating activities increased to \$352,000, which was primarily due to the receipt of an Australian Tax Office Research and Development government grant totalling \$390,000 during the previous quarter.

Payments

Norwood notes that item 6.1 in the Appendix 4C relates to executive and non-executive director fees.

<ENDS>

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

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

Norwood has delivered services to more than 6 million customers since launching its platform in mid-2014, servicing people in 200+ countries & territories and 5000+ cities worldwide. Norwood Systems listed on the ASX in June 2015 and trades with the stock ticker NOR.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

NORWOOD SYSTEMS LIMITED (ASX: NOR)

ABN

15 062 959 540

Quarter ended (Current quarter)

31 March 2022

Consolidated statement of cash flows

| | Current Quarter \$A'000 | Year to date (9 Months) \$A'000 |
|---|-------------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 172 | 798 |
| 1.2 Payments for: | | |
| (a) research and development | (187) | (585) |
| (b) product manufacturing and operating costs | (69) | (236) |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (125) | (411) |
| (f) administration and corporate costs | (149) | (573) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 6 | 6 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes (paid) / refunded | - | - |
| 1.7 Government grants and tax incentives | - | 390 |
| 1.8 Other: (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (352) | (611) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) 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 | - | - |

| Consolidated statement of cash flows | Current Quarter \$A'000 | Year to date (9 Months) \$A'000 |
|--|--|--|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 79 | 402 |
| 3.2 Proceeds from issue of convertible debt securities | 265 | 415 |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 Proceeds from borrowings | 75 | 162 |
| 3.6 Repayment of borrowings | - | (306) |
| 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 | 419 | 673 |
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 47 | 52 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (352) | (611) |
| 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) | 419 | 673 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 114 | 114 |
| 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 | 84 | 17 |
| 5.2 Call deposits | 30 | 30 |
| 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) | 114 | 47 |
| 6. Payments to related parties of the entity and their associates | Current quarter \$A'000 | |
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 47 | |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - | |
| Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments | | |
| | | |

| | | |
|---|---|--|
| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity. | | |
| 7.1 Loan facilities | 138 | 138 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify): | - | - |
| 7.4 Total financing facilities | 138 | 138 |

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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: 30th November 2022.
 - o Norwood has the option to repay earlier without penalties.
- Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2021 until the loan is repaid in full).
- 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.

| | |
|---|----------------|
| 8. Estimated cash available for future operating activities | \$A'000 |
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (352) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 114 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 114 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 0.3 |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
Answer:
- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer:

Yes, the Company has taken and is taking steps to raise further cash to fund its operations. The Company intends to undertake further capital raisings as required to fund its operations. The Company believes it will be able to raise further equity or debt, if and as required, as exhibited by the successful completion of its most recent placement for \$323,000 and an additional convertible note of \$100,000 from Paul Ostergaard, Managing Director in October 2021 and \$280,000 from Dr John Tarrant as announced to ASX on 28 March. The Company also retains the ability to utilize an R&D loan facility, which is accessible subsequent to the end of each quarterly period through Radium Capital, subject to certain criteria being met. As at the end of the March quarter the Company anticipates utilising \$150,000 (approximately) which would be received in May 2022 and another \$120,000 for the June quarter, which would be received in July 2022.

3. *Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Answer:

Yes, the Company expects to be able to continue its operations and to meet its business objectives based on its responses to items 1 and 2 above.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: Friday, 29 April 2022

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.