

ASX ANNOUNCEMENT

31 January 2024

Operations Overview and Appendix 4C for the December 2023 Quarter – Significant Progress Achieved with Key Prospects in Norwood's Sales Pipeline

Highlights

- Stable customer revenues and a strengthened balance sheet continue to support engagement with potential clients and Tier 1 Communication Service Providers (CSPs):
 - Customer quarterly revenues of \$203,000 for the quarter (up 17% compared to \$173,000 for the quarter ending December 2022).
 - A further \$160,000 of customer revenue is expected at the end of January 2024 following the successful completion of a CSP Proof-of-Concept (PoC) in the December 2023 quarter.
 - Cash position enhanced during the quarter as a result of an oversubscribed equity placement that added a net \$667,000 to Norwood's balance sheet.
 - Strong uptake conversion (96.8%) of expiring December 2023 2.4c options further bolstering Norwood's cash reserves by \$541,000.
- Completed first Statement of Works (SoW) under a Group Master Supply Agreement (GMSA) with Singapore Telecommunications Limited (Singtel), covering all Singtel operating companies (OpCos):
 - Successfully delivered the first Singtel Group GSMA SoW, comprising the Proof-of-Concept (PoC) of Norwood's CogVoice Voicemail platform for Optus Australia, passing all the User Acceptance Testing (UAT) criteria.
 - Post-quarter commenced commercial negotiations for further SOWs for a phased production roll-out of Norwood's platform and applications.
- Successfully progressed global go-to-market CSP engagements in APAC, Europe and North America:
 - Received highly satisfactory feedback and engagement from Norwood's ongoing international CSP outreach with multiple operators in each of Norwood's three key targeted geographies (APAC, EU, and North America).
 - Near-term focus is to progress such engagements to commercial commitments in the form of paid PoCs or commercial production rollouts, depending on the pipeline stage.
- Continued further development of the CogVoice[™] platform and associated applications to bolster CSP value, platform performance and economics:
 - Numerous technical additions to the CogVoice platform to improve system economics, reduce system latency and prompt response times, expand language and dialect performance, and support CSP IT network integration points for billing, operations and related ops service requirements.
- Ongoing cultivation of co-sales relationships with several leading cloud service providers (hyperscalers) with engagement commenced for roadshows and global events during the March 2024 quarter:
 - Key focus for the current March 2024 quarter is joint activities with key hyperscalers and participation at the global Mobile World Congress (MWC) event in Barcelona in late February 2024.
- Progressed work for long-term client Spark NZ as scheduled:
 - Continuing to receive strong cashflows from operations with our long-term Spark NZ relationship.

Norwood Systems Ltd ("Norwood" or the "Company") (ASX: NOR), a leading cloud-native voice service platform innovator, is pleased to provide an overview of the Company's activities for the December 2023 quarter and the accompanying Appendix 4C cashflow report.

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

"Norwood ended the December 2023 Quarter on an exceptionally strong note, marked by significant progress in developing near-term revenue opportunities and solidifying our relationships with global CSPs.

"We significantly improved our balance sheet position during the quarter, both through an oversubscribed capital raise, which saw all board directors participate, and through a very strong uptake conversion of our expiring December 2023 2.4c options, which also saw fellow director John Tarrant and me fully converting our respective December 2023 2.4c option holdings.

"During this period, a key operational highlight was our successful implementation of the CogVoice proof of concept for Optus in Australia, which stands as a major milestone for the Company in its mission to secure CSP production-level cash-generative relationships, also enhancing the Company's stature and credibility with operators around the world.

"This milestone therefore not only reflects our strengthened relationship with Singtel/Optus, but also amplifies our ability to execute and deliver services across a broader market scope, amplifying our focus on developing deep cash-generative engagements with CSPs at a global level.

"The successful testing of our CogVoice platform with Optus culminating from this past quarter's efforts further sets the stage for potential production rollouts with this operator in the coming months.

"While forging new partnerships is key to Norwood's growth, we value our long-standing collaborators. Continual service delivery per the terms of our long-term contract with Spark NZ for the Spark Voicemail platform has ensured a consistent revenue stream for the Company and yielded growth over the past quarter.

"Driving all these accomplishments is our unwavering emphasis on product-, capability-, and platformrelated research and development. Our partnership with innovation leaders like OpenAI and key hyperscalers underlines our determination to convert leading-edge technology into practical, dependable, scalable, and valuable solutions for CSPs and their subscribers.

"As we continue our journey, these collaborations play an instrumental role in elevating our status in the market as a trusted CSP platform vendor. Ultimately, they place us at the vanguard of a burgeoning digital revolution that is metamorphosing traditional Telcos into forward-thinking Techcos."

Sales and Commercialisation Activities

Progress with Local Tier 1 Accounts

Singtel/Optus

Following the signing of the Group Master Supply Agreement (GMSA) with Tier 1 CSP Singapore Telecommunications Limited (Singtel) and Optus, Norwood is thrilled to report the successful completion of the first Statement of Works under this agreement – a Proof-of-Concept project (PoC) for the CogVoice platform.

This high-intensity, broadly scoped PoC, conducted with Optus in Australia, demonstrated powerful capabilities of Norwood's CogVoice platform. Fulfilling all voicemail, network integration, and system scalability requirements, the PoC proved not only that the CogVoice platform integrates seamlessly with Optus's network, but it also showcased the broader functionalities and value derived from the platform's cutting-edge AI technology.

The successful outcome of this PoC ushers in a significant milestone for Norwood, solidifying our relationship with Optus, and reinforcing Norwood's strategic positioning for significant growth in the 2024 calendar year. This achievement underscores the Company's commitment to showcasing highly effective, innovative solutions that drive performance and value for our CSP partners.

Spark NZ

Norwood's long-term partnership with Spark NZ remains strong, with the Company continuing to supply services under a purchase order for FY 2024 services signed in March 2023.

This ongoing relationship continues to demonstrate Norwood's commitment to providing exceptional service and solutions to its clients and partners.

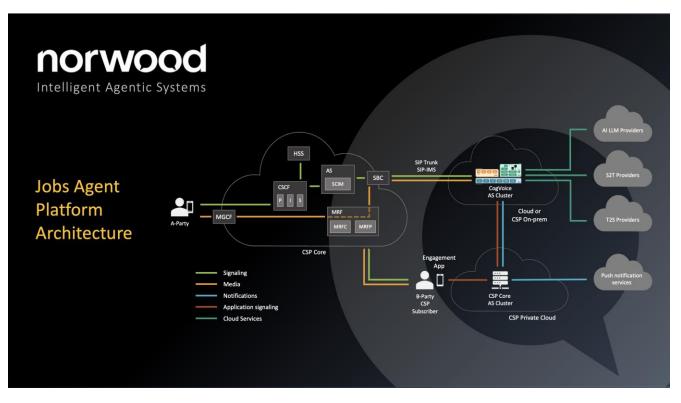
Product and Service Development Activities

CogVoice[™] - The platform powering cognitive voice applications for CSPs

Norwood's CogVoice platform harnesses large language model (LLM) artificial intelligence (AI) to deliver exceptional natural language fluidity and responsiveness, thereby redefining customer and caller engagement. Its cost-efficient implementation, superior latency performance, and 4G/5G compatibility make CogVoice a preferred solution for Communication Service Providers (CSPs), regardless of their size.

The addition of modern voice engagement applications to Norwood's enhanced CogVoice platform marks a significant leap in operational efficiency for CSPs. Not only does this updated platform facilitate a seamless shift from traditional voicemail systems to Norwood's advanced CogVoice Voicemail service, but it also imbues the network with future-ready capabilities by empowering it with AI functionality.

CogVoice Jobs Agent - Revolutionising Engagement for Sole Traders and Professionals



Following the successful soft rollout of our second major CogVoice application, the CogVoice Jobs Agent, Norwood continues to widen its implementation scope while introducing it to key CSPs.

The CogVoice Jobs Agent has garnered positive responses from CSPs around the world, completely redefining how professionals engage with potential clients effectively providing an extra pair of hands (and brain!).

The Jobs Agent platform promises a cost-effective solution for intelligently interacting with callers and efficiently managing business prospects with its advanced hyper-fluid, low-latency, real-time voice interface.

Built on the strengths of advanced AI technologies and powered by powerful LLM technologies, the CogVoice Jobs Agent ensures an unbelievably smooth communication experience. It dramatically lightens the load on professionals while effectively maintaining constant communication with prospective clients. Jobs Agent exemplifies innovation at work, prioritising customer convenience while delivering desired outcomes.

Financial

R&D Loan Facility

Norwood continued its research and development efforts during the December 2023 quarter and forecasts the receipt of \$86,000 through an R&D loan facility in February 2024. This is lower than in previous quarters, exceptionally due to the substantial amounts of engineering time booked to the Optus PoC project, and more than offset by receipts expected post-quarter from that project.

The loan facility is for R&D work undertaken in the December 2023 quarter which is accessible after the end of each quarterly period through Radium Capital.

The Loan Facility is subject to certain criteria being met. The loan facility is expected to be received again in February 2024.

Capital Raise

Norwood completed a heavily oversubscribed capital raise of \$710,000 (before costs) during the December 2023 Quarter. The funding from the capital raise will be utilised for strategic market expansion efforts, accelerated product development, customer experience enhancements, operational efficiency improvements and the pursuit of strategic partnerships.

The capital raise was via issue of 17.75 million fully paid ordinary shares (ASX: NOR) at \$0.04 per share, with a free attaching unquoted option issued on a 1 for 1 basis exercisable at \$0.05 per option expiring 31 October 2025.

Balmain Resources Pty Ltd (ACN 076 375 203), an entity associated with Dr John Tarrant, a Director participated in the placement in the amount of \$100,000. Philip Marsland, a Director participated in the placement in the amount of \$100,000, Philip Otley, a Director participated in the placement in the amount of \$10,000 and Paul Ostergaard, a Director participated in the placement in the amount of \$10,000.

Repayment of Loan

The Company refers to its announcements dated 28 February and 12 May 2023 regarding the working capital facility loan drawn of \$300,000, which was advanced by Balmain Resources Pty Ltd (Balmain), a company that director, Dr John Tarrant controls.

The Company advises it has now fully repaid and extinguished the loan, with the loan being offset from Balmain Option funds (NORAAA) that were exercised and due to the Company totalling \$535,179, with a net cash receipt to Norwood of \$178,337.

Business Activities Expenditure

In accordance with ASX Listing Rule 4.7C.1 with respect to business activities expenditure, Norwood confirms there was an increase in business expenditure by \$47,000 In comparison to the prior quarter's expenditure.

Total direct business expenditure was \$983,000 for the December 2023 quarter (vs \$936,000 last quarter), consisting of research and development expenses of \$243,000 (vs \$363,000), operating costs of \$85,000 (vs \$74,000), staff costs of \$184,000 (vs \$193,000), and administration and corporate costs of \$471,000 (vs \$306,000).

Cash received from the conversion of Option Class NORAAA unquoted options totalled \$541,000 for the quarter. For further commentary see ASX Announcement dated 4th January 2024, titled, "Expiry of NORAAA Options and Repayment of Loan".

Net cash used in operating activities was \$780,000 (compared to the previous quarter's \$547,000), the difference is due to higher corporate costs from capital raises, and additional project-based activity on the Optus PoC project.

The Company is forecasting an increase in revenues and a decline in operating expenses for the March 2024 quarter, leading to a corresponding decline in expected net cash used for the March 2024 quarter. This arises in part from revenue expected to be banked from the Optus PoC project, while the December 2023 quarter cashflows also included one-off higher administrative and corporate spend due to the capital raise, along with additional one-off engineering and administrative costs for the Optus PoC project.

Payments

Norwood notes that item 6.1 in the Appendix 4C totalling \$39k relates to executive and non-executive director fees.

Authorised for release by Paul Ostergaard, Managing Director.

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About Norwood Systems

Norwood Systems, a leading cloud-native voice service platform innovator, is an Australian public company that offers novel and highly advanced cognitive AI platforms – "intelligent agentic systems" – to service providers, businesses, and consumers. The CogVoice platform applications include Voicemail, Call Screener and Jobs Agent. Norwood's services are aimed at a diverse range of end-users from individual consumers and SOHO business users to larger communication service providers.

Since launching in 2014, Norwood has served over 6 million customers in 200+ countries and territories and 5000+ cities worldwide. The company was listed on the Australian Stock Exchange (ASX) in June 2015 and trades under the ticker symbol NOR.

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

Nam	e of entity			
NO	RWOOD SYSTEMS LIMITED (ASX: NOR)			
ABN		Quarter ended (Current quarter)		
15 0	62 959 540	31 December 2023		
Соі	nsolidated 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		203	591
1.2	Payments for:			
	(a) research and development		(243)	(607)
	(b) product manufacturing and operating costs		(85)	(159)
	(c) advertising and marketing		-	-
	(d) leased assets		-	-
	(e) staff costs		(184)	(377)
	(f) administration and corporate costs		(471)	(775)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received			1
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes (paid) / refunded		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other: (provide details if material)		-	-
1.9	Net cash from / (used in) operating activities		(780)	(1,326)
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

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

Coi	nsolidated statement of cash flows	Current Quarter \$A'000	Year to date (6 Months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	700	700
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	541	755
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	114	249
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10) Net cash from / (used in) financing activities	1,355	1,704
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	183	380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(780)	(1,326)
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)	1,355	1,704
4.5	Effect of movement in exchange rates on cash held	, -	-
4.6	Cash and cash equivalents at end of period	758	758
5.	Reconciliation of cash and cash equivalents	Current	Previous
	at the end of the quarter (as shown in the consolidated statement of cash	quarter	quarter
	flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	713	138
5.2	Call deposits	45	45
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)	758	183
-	Payments to related parties of the entity and their associates		Current
6.	Payments to related parties of the entity and their associates		quarter
			\$A'000
5.1	Aggregate amount of payments to related parties and their associates include	ed in item 1	39
5.2	Aggregate amount of payments to related parties and their associates include	ed in item 2	-
	: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a de		

Salary and superannuation payments to Managing Director, see quarterly report commentary.

7.	Financing facilities 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.	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	114	114
7.2	Credit standby arrangements	-	-
7.3	Other (please specify):	-	-
7.4	Total financing facilities	114	114

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.

R&D Facility Terms:	
Counterparty:	Innovation Structured Finance Co LLC facilitated by Radium Capital for the October to December 2023 period.
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 October 2024.
Final Maturity Date:	30 November 2024 and expected to be paid in October 2024. Norwood has the option to repay earlier without penalties.
Interest Rate:	15% per annum, and default rate of 22% (from 1 October 2023 until the loan is repaid in full).
Security:	Secured against the R&D refund receivable from the ATO in October 2024.
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)	(780)
8.2 8.3	Cash and cash equivalents at quarter end (Item 4.6) Unused finance facilities available at quarter end (Item 7.5)	758
8.4	Total available funding (Item 8.2 + Item 8.3)	758
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.972

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:
 - 1. 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:

No, The company is forecasting an increase in revenues and a decline in operating expenses for the March 2024 quarter, leading to a corresponding decline in net cash used for the March 2024 quarter. This arises in part from revenue expected to be banked from the completed Optus PoC, while the December 2023 quarter cashflows also included one-off higher administrative and corporate spend due to the capital raise, along with additional one-off engineering and administrative costs for the Optus PoC project. 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 steps to raise further cash to fund its operations. The company has sufficient cash flows forecast from customers to fund its operations. A further approx. \$86,000 is forecast to be received from the R&D loan facility in the first week of February for the period of October to December 2023 R&D work, which is accessible subsequent to the end of each quarterly period through Radium Capital, subject to certain criteria being met.

Subsequent to the quarter the Company received final cleared proceeds from the conversion of NORAAA Options totalling \$82,000.

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:	Wednesday, 31 January 2024	
Authorised by:	Paul Ostergaard, Managing Director	
	(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.