

ASX ANNOUNCEMENT

30 April 2024

Operations Overview and Appendix 4C for the 31 March 2024 Quarter

Cash receipts up significantly. Communications Service Provider (CSP) sales pipeline continuing to build. Continued investment in a strong R&D pipeline. New product and partner opportunities.

Highlights

- **Significant Customer Cash Receipt Growth:** The Company banked \$327,000 from customers this quarter, marking a 51% increase from the previous quarter's \$203,000 and an 84% rise compared to \$178,000 in the same quarter last year. This growth is attributed to continued successful engagements with Optus and Spark NZ. Additionally, the Company received \$85,000 from an R&D loan facility for its December 2023 quarter R&D efforts with further receipts expected in May 2024 of \$105,000.
- **Advancements in Key Commercial Negotiations:** Made substantial progress in negotiations for a significant CogVoice™ production project with a local Tier 1 CSP, anticipated to generate material multi-year revenues post signing.
- **Established a \$300,000 drawdown facility:** A drawdown facility established post-quarter provided by Dr John Tarrant, a director of the Company, on arm's length terms, with any drawn down portion of the facility repayable with interest by 31 December 2024. The drawdown facility is available, if required, to provide additional working capital whilst Norwood continues to expand its revenue base during 2024.
- **Expansion in Global CSP Engagements:** Engaged with seven Tier 1 CSPs across APAC, Europe, and North America. The feedback has been promising, focusing on potential upcoming sign-ups for one or more paid POC deployments for the CogVoice Jobs Agent™ and derivative agentic services.
- **Strategic Hyperscaler Collaborations:** Continued to deepen collaborations with key hyperscalers. This includes a planned co-announcement targeting the CSP market this quarter and a new strategic initiative aimed at segments of the global contact/call centre market.
- **Continued Innovation and Investment in the CogVoice Platform:** Enhanced the CogVoice platform with ongoing development and prototyping, introducing two new innovative agentic services to the CogVoice agentic portfolio: the **CogVoice Adversarial Agent™** and the **CogVoice Onboarding Agent™**.
- **Patent Progress and Certification:** Advanced the Elastic Intent™ patent to international PCT filing status and began the process for the Company's ISO 27001 certification.

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 March 2024 quarter and the accompanying Appendix 4C cashflow report.

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

"This past quarter has been one of solid progress and meaningful achievements for Norwood. We've seen a significant 51% increase in banked cash receipts compared to the previous December 2023 quarter, also up 84% on the previous March 2023 quarter, driven largely by our successful engagements with Tier 1 CSPs such as Optus Australia and Spark NZ. These results

demonstrate our ongoing ability to execute on our business plan and deliver value to our stakeholders.

“We have advanced to the final stages of complex negotiations for a major production rollout with a local Tier 1 CSP. If these negotiations are successfully concluded and reflected in a finalised contract, the project is expected to generate material multi-year revenue. This achievement would further demonstrate our ability to forge substantial, long-term partnerships, complementing our existing relationship with long-standing client, Spark NZ.

“Our collaborations with key hyperscaler partners also continue to advance positively. These evolving partnerships highlight our ability to engage at the cutting edge of technological innovation in a highly dynamic market space. Successful engagement with these hyperscalers not only broadens our technological capabilities but also strengthens our market presence with CSPs, paving the way for new opportunities and strategic growth.

“On the development front, enhancements to the CogVoice platform include the ongoing development and introduction of innovative adversarial and onboarding agents. These new capabilities help us to broaden our reach into new selected markets that we have deemed are good potential use cases for agentic services of various forms. These initiatives drive up the broader market applicability of our offerings, while also highlighting the flexibility of our CogVoice agentic services platform to service new segments or applications.

“As we continue forward, our commitment remains on leveraging our innovative technology, driving revenues and gross contributions to support our scaling plans, deepening our market presence with CSPs and other significant players, and delivering sustained growth and value to all our stakeholders.”

Sales and Commercialisation Activities

Strengthening Existing Tier 1 Relationships

Norwood has continued to cultivate and enhance its long-standing relationships with key Tier 1 CSPs. This quarter, the ongoing partnership with Optus Australia has resulted in significant revenue contributions with prospects for future production projects, while the Company’s relationship with Spark NZ remains a cornerstone of its steady financial performance.

These partnerships not only provide the basis for reliable revenue streams but also serve as a testament to Norwood’s ability and commitment to delivering enduring value and support to its major clients.

Deepening Engagement in Key Commercial Negotiations

Norwood is in the final stages of securing a major contract with a local Tier 1 CSP to implement its CogVoice™ production project. This potential contract, if successfully concluded, would represent a significant milestone for the Company, coming at a pivotal time as the Company broadens its discussions with other major CSPs.

The duration of these negotiations reflects the contract’s complexity and Norwood’s and the CSP’s joint commitment to getting every detail right. Both companies are taking the necessary time to align on technology, compliance, financials, and operations to ensure a successful and enduring partnership.

Finalizing this deal is a top priority for Norwood. The contract, if successfully concluded, will provide valuable cashflow over a multi-year period, solidify the Company’s position in the market, demonstrate its capability to deliver on high-value projects, and reinforcing the Company’s dedication to growth and enhancing shareholder value.

Expanding Prospects with New Tier 1 CSPs

Through Norwood's international CSP marketing outreach programme, the Company is continuing to actively engage with new Tier 1 CSPs across its targeted geographies in APAC, Europe, and North America. Building strong relationships with top-level decision-makers in these CSPs is essential for Norwood to successfully convert these CSP engagements into revenue-generating partnerships.

Current meaningful new CSP engagements afoot include five PoC scoping sessions with three new potential CSP clients. These discussions are progressing well and signal a strong interest by these CSPs in the CogVoice platform and associated services. Norwood's near-term focus is to convert these engagements into formal paid PoCs, setting the stage for potential long-term commercial relationships.

Leveraging Hyperscaler Partnerships for Market Expansion

Norwood's strategic paths to market are amplified through its partnerships with leading hyperscalers. In the March 2024 quarter, the Company qualitatively deepened these collaborations, working on several joint development projects and co-marketing initiatives.

These partnerships are critical as they provide Norwood with additional channels to market its platform and services, enhancing the Company's technological capabilities, and reach new customer segments. Two key developments are noteworthy:

- Norwood is finalising commercial negotiations for an agreement with one hyperscaler, to bring an innovative joint CSP-focused solution to market, leveraging the hyperscaler's state-of-the-art managed service network CSP gateway, offering deep API-level integration with Norwood's CogVoice agentic service platform. This *Gateway Platform—API—CogVoice Agentic Service* stack will have the potential to greatly streamline CogVoice deployments at scale, in particular with CSPs that are using this hyperscaler's managed services gateway.
- Norwood has initiated a pilot project, working with a second hyperscaler, to target the contact/call centre market at the smaller end of the market using the CogVoice platform. This strategic move is aimed at demonstrating enhanced customer interaction and operational efficiencies for small business-focused contact/call centres, setting the stage for broader deployment and engagement in this sector.

Norwood has identified that this sector has the ability to deploy AI agentic services that the Company has to date been building for the telecommunications sector. Deploying the same technological platform into an additional industry sector has enormous potential for Norwood and is a key component of the Company's growth strategy.

Product and Service Development Activities

CogVoice – Advancing Cognitive Engagement Applications

Norwood's CogVoice platform continues to lead the industry through its integration and orchestration of both small and large AI language models (SLMs and LLMs).

In the March 2024 quarter, the Company further developed the agentic capabilities of CogVoice, enhancing the platform's functionality and market adaptability, while significantly enhancing the platform to improve system scalability, cost, and latency. The moves further solidify CogVoice's position as the preferred solution for CSPs of all sizes due to its cost-efficient implementation, superior latency performance at scale, and highly fluid dialogue management.

CogVoice Jobs Agent – Transforming Professional Engagements

This quarter, the promotion of Norwood’s CogVoice Jobs Agent service has notably increased its visibility among key CSPs around the world. This innovative service revolutionises how professionals interact with potential clients by providing a virtual assistant that enhances interaction and manages business prospects.

Recognised for its hyper-fluid, low-latency, real-time voice interface, the CogVoice Jobs Agent alleviates operational burdens on professionals, freeing up their time and ensuring continuous, effective communication with clients. This service exemplifies Norwood’s commitment to delivering solutions that prioritise customer convenience and operational efficiency.

Intellectual Property

This quarter has also seen significant progress in the protection and enhancement of Norwood’s intellectual property. Norwood’s pending elastic intent patent has advanced towards international PCT filing status following a comprehensive international patent search.

New Agentic Services (AI Tools)

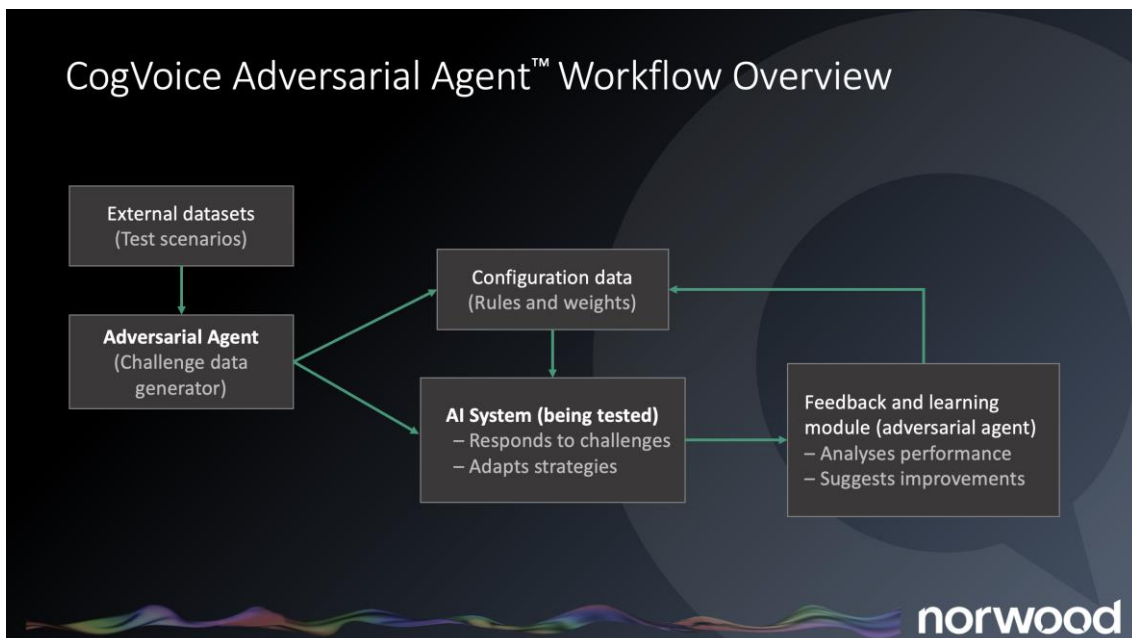
Norwood is developing two new agentic services (AI Tools)– the **CogVoice Adversarial Agent™** and the **CogVoice Onboarding Agent™**:

- The CogVoice Adversarial Agent is designed to challenge Norwood’s own CogVoice (or third party) agents to uncover and strengthen system vulnerabilities before production deployment.
- The CogVoice Onboarding Agent focuses on rapidly and efficiently integrating customers with products or services through a multi-modal engagement strategy.

These new innovations enhance Norwood's competitive edge while leveraging the Company's intellectual property. Originally developed for internal use, Norwood is exploring broader market opportunities to commercialize these AI tools. This exploration will progress alongside their ongoing development.

CogVoice Adversarial Agent Overview

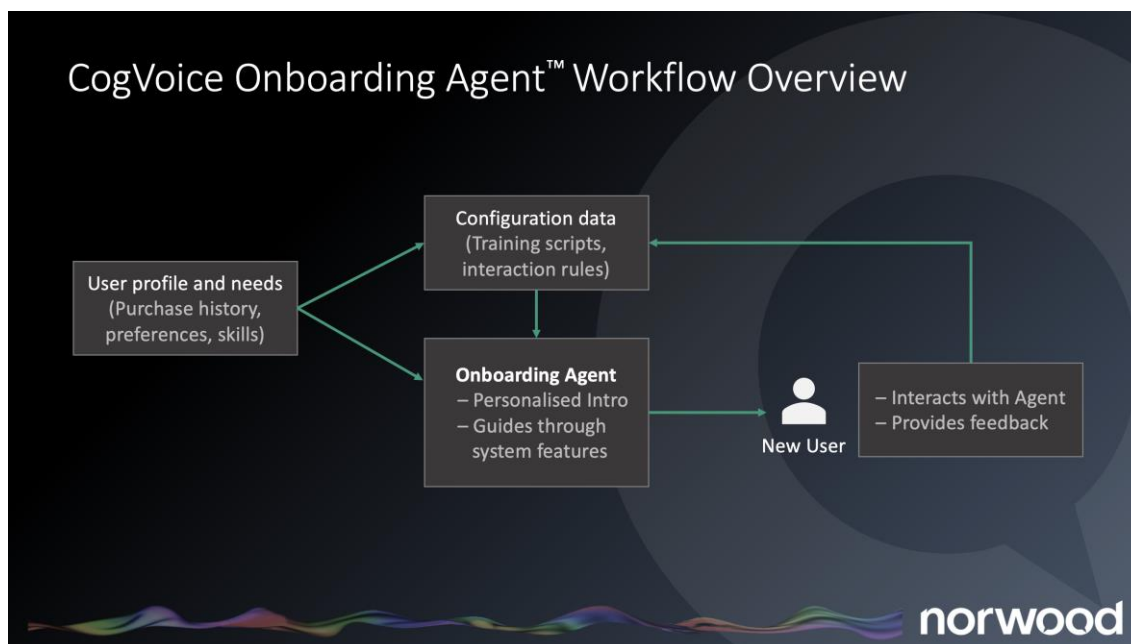
The CogVoice Adversarial Agent boosts the reliability of agentic systems by acting as an automated challenger during their training and testing phases. It exposes these systems to complex scenarios to test their robustness and capability to handle unexpected situations. By pinpointing/rectifying weaknesses, the Adversarial Agent ensures these systems not only perform optimally but are also well-prepared for real-world applications.



Adversarial agents have broad utility beyond Norwood’s work in communication services, such as in healthcare, where they rigorously test diagnostic AI to ensure it detects rare and unusual conditions accurately. In finance, they can evaluate the resilience of trading algorithms against unpredictable market events, thereby protecting investments. Through continuous testing and refinement, adversarial agents bolster the reliability and readiness of AI systems, showcasing their extensive value across various critical sectors.

CogVoice Onboarding Agent Overview

The CogVoice Onboarding Agent streamlines user introduction to Norwood’s new services or products, acting as a virtual guide that provides a personalised walkthrough of features and functionalities.



Particularly useful in complex systems where users may initially feel overwhelmed, the Onboarding Agent clarifies, responds to queries, and emphasises key functionalities, ensuring users are comfortable and proficient from the outset.

Beyond Norwood’s platforms, onboarding agents hold significant potential in customer service and employee training, enhancing user experience and efficiency in adopting new platforms. These agents effectively simplify and improve the introduction to new environments for both customers and employees.

Financial

R&D Loan Facility

Norwood continued its research and development efforts during the March 2024 quarter and received \$85,000 through an R&D loan facility in February 2024.

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

The Loan Facility is subject to certain criteria being met. A further loan instalment under the loan facility is anticipated to be received in May 2024 for \$105,000.

Working Capital Drawdown Facility

Today, Norwood announced that it had entered into an agreement providing access to a working capital drawdown facility of up to \$300,000. The funds will provide Norwood with additional working capital, if required, to fund the Company's R&D and go-to-market programs during 2024 whilst the company continues to expand its revenue base.

The drawdown facility has been provided by Balmain Resources Pty Ltd, a company that director Dr John Tarrant controls. The Board has assessed the transaction as being arm's length as the terms are better for the Company than prevailing market rates.

The interest rate, if a drawdown is made by the company, will be calculated at a rate of 15% pa. The facility has an establishment fee of 3% of the facility amount. Any amount drawn down will be payable on the repayment date of 31 December 2024. If any drawn down amount is not repaid by the repayment date, then there will be a default of an additional interest rate of 2% pa above the 15% pa rate until such time as all outstanding monies have been repaid. Any drawn down amount will be an un-secured loan.

Business Activities Expenditure

Per ASX Listing Rule 4.7C.1 with respect to business activities expenditure, Norwood confirms there was a decrease in business expenditure by \$36,000 in comparison to the prior quarter's expenditure.

Norwood recorded a total direct business expenditure of \$947,000 for the March 2024 quarter (vs \$983,000 last quarter). This consists of a \$292,000 research and development expense (vs \$243,000), operating costs of \$62,000 (vs \$85,000), staff costs of \$194,000 (vs \$184,000), and administration and corporate costs of \$264,000 (vs \$471,000)

Net cash used in operating activities was \$620,000 (compared to the previous quarter's \$780,000), the difference is due to higher income from Spark and Norwood's ongoing work with Singtel/Optus.

Payments

Norwood notes that item 6.1 in Appendix 4C totalling \$39,000 relates to executive and non-executive director fees.

<ENDS>

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 and messaging through its ground-breaking cognitive AI services, delivered by its award-winning hyper-scale mobile service platforms and associated applications.

The Company's breakthrough offerings encompass an array of cognitive connectivity services, targeted at a broad spectrum of prospective customers from individual consumers through to Communication Service Providers.

Norwood has delivered services to more than 6 million end user customers since launching its platform in mid-2014, having serviced 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 2024

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	327	1,124
1.2 Payments for:		
(a) research and development	(292)	(899)
(b) product manufacturing and operating costs	(62)	(221)
(c) advertising and marketing	(135)	(135)
(d) leased assets	-	-
(e) staff costs	(194)	(571)
(f) administration and corporate costs	(264)	(1,279)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	602
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(620)	(1,379)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(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	-	(3)

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)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	5	1,491
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(15)	(15)
3.5 Proceeds from borrowings	85	311
3.6 Repayment of borrowings	-	(535)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other: <i>Payments for the principal portion of lease liabilities</i>	-	(37)
3.10 Net cash from / (used in) financing activities	75	1,215
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	758	380
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(620)	(1,379)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	75	1,215
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	213	213

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	168	713
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)	213	758
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6. Payments to related parties of the entity and their associates

Current quarter \$A'000
39
-

6.1 Aggregate amount of payments to related parties and their associates included in item 1

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

Salary and superannuation payments to Managing Director and non-executive directors, 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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify): Working Capital Drawdown Facility

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	85	85
7.2 Credit standby arrangements	-	-
7.3 Other (please specify): Working Capital Drawdown Facility	300	-
7.4 Total financing facilities	385	85

7.5 Unused financing facilities available at quarter end

300

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.

Working Capital Drawdown Facility Terms:

Counterparty: Balmain Resources Pty Ltd.

Amount: \$300,000.

Final Maturity Date: 31 December 2024. Norwood has the option to repay the drawn down amount earlier without penalties.

Interest Rate: 15% per annum on the drawn down amount, with default rate of 17% per annum if not paid back by 31 December until the resulting loan is repaid in full.

Security: Unsecured.

Conditions: A 3% establishment fee applies. Funds in the facility are available to be drawn down by Norwood as and when the Company needs funds for working capital.

Purpose of Facility: As per agreement, wholly or predominantly as needed for working capital or research and development expenditures.

8. Estimated cash available for future operating activities

- 8.1 **Net cash from / (used in) operating activities** (Item 1.9)
- 8.2 Cash and cash equivalents at quarter end (Item 4.6)
- 8.3 Unused finance facilities available at quarter end (Item 7.5)
- 8.4 Total available funding (Item 8.2 + Item 8.3)
- 8.5 **Estimated quarters of funding available** (Item 8.4 divided by Item 8.1)

	\$A'000
8.1	(620)
8.2	213
8.3	300
8.4	513
8.5	0.83

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:

Yes, the company has taken steps to raise further cash to fund its operations, including the recent establishment of a Working Capital Drawdown Facility. The company expects to have sufficient cash flows from forecast customer receipts, the Working Capital Drawdown Facility and the R&D Loan Facility to fund its operations. Additionally, a further total \$370,000 is forecast to be received from the R&D Loan Facility and contracted Spark NZ annual fees in the September 2024 quarter.

2. 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, refer above.

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: Tuesday, 30 April 2024

Authorised 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.