

ASX ANNOUNCEMENT

30 April 2021

Norwood Corporate Overview and App 4C for March 2021 Quarter

Highlights

- Receipts from customers for the March 2021 quarter totalled \$197,000, compared to \$84,000 in the March 2020 quarter, an increase of 135%
- Total receipts from customers for the first nine months of the 2021 fiscal year stands at \$770,000, versus \$495,000 in the prior corresponding period, an increase of 56% period-to-period
- Net operational cashflow for the March 2021 quarter was negative \$273,000, compared to negative \$583,000 in the March 2020 quarter, an improvement of 53%
- Norwood continues to strengthen its relationships with key customers and progress partnership with IPsoft company Amelia
- The Company continues to experience no material operational impact from COVID-19.

‘Sharing Economy’ and ‘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 2021 quarter and the accompanying Appendix 4C cashflow report.

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

“It is really pleasing to see that we are continuing to enhance our operational performance, not just for the quarter, but for the entire fiscal year to date.

“It was particularly satisfying to see that, again, we increased of our receipts from customers, driving a significant reduction in our cash burn, for the March quarter compared to the prior corresponding period.

“The March quarter was one of consolidation as we continued to focus on developing our high-quality telco voicemail service offerings and our broader technological capabilities.

“We are actively progressing our Teaming Agreement partnership with a global leader in cognitive artificial intelligence, Amelia, which was signed in the December 2020 quarter. Further exciting announcements on this relationship will likely be made in the current quarter.

“Our relationship with Amelia is forming an important linchpin to the ongoing development, enhancement and evolution of Norwood’s flagship World Voicemail telco service. The revolutionary new feature set borne out of this partnership will help ensure that World Voicemail continues to reinforce its position as the market-leading offering for enhancing any telco’s call completion services.

“We are proactively maintaining our relationships with key customers, such as Spark NZ, and continue to target several significant business opportunities in the short-to-medium term.”

Sales and Commercialisation Activities

The Company continues to progress with developing key opportunities with both telcos directly and with potential partners that can amplify Norwood's own sales efforts.

Spark NZ is continuing to provide a steadily growing income to Norwood from the growing installed base of users, while also providing a great reference to other telcos considering deploying Norwood's World Voicemail solution.

Norwood has a fee arrangement with Spark NZ related to the number of downloads that the App receives. Norwood continues to anticipate that the revenue associated with Spark NZ will ramp up as the year progresses and downloads and subscriber numbers increase.

In addition to the existing relationship with Spark NZ, Norwood currently has live telco pilots in multiple geographies at various stages of progression and hopes to report in further detail on these pilots as they develop. COVID-19 travel restrictions continue to impact customer engagement, with all interactions with prospects outside of Australia necessarily being done online, however the Company remains confident at present that potentially material progress will be achieved with one or more of these prospects.

Norwood is also continuing its business development efforts to establish formal partnership agreements with a number of potential large-scale distribution partners. Discussions with several of these parties continues to progress encouragingly. The Company will report to the market as and when material developments take place with any of these parties.

Product Development Activities

Norwood has invested significant effort into the Teaming Agreement with global leader in cognitive artificial intelligence (AI), Amelia, an IPsoft company (Amelia).

That agreement encompasses collaborating on developing and jointly offering a radical improvement to existing telco-hosted personal call completion services.

The mutual goal is to replace static recorded voicemail greetings with a dynamic and engaging virtual AI persona who can answer and screen your calls, just like a virtual Personal Assistant.

The new service combines the best of World Voicemail's app and telco integration capabilities with Amelia's cognitive intelligence capabilities to provide an automated, interactive voice platform that seamlessly helps and screens inbound callers, guided by AI-derived "intents", much like a real personal assistant would be able to.

Following substantial development effort in the past quarter, Norwood is expecting to be able to launch private telco operator beta trials of this revolutionary service in the current quarter (delayed from last quarter as previously anticipated).

The company believes this unprecedented capability, delivered at telco scale, could revolutionise how telco call completion services are delivered, such services having self-evidently stagnated over the last decade.

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 business expenditure by \$30,000 in comparison to the previous quarter expenditure.

Total direct business expenditure was \$561,000 for the March 2021 quarter (vs \$531,000 last quarter), consisting of research and development expenses of \$176,000 (vs \$205,000), operating costs of \$81,000 (vs \$81,000), staff costs of \$140,000 (vs \$137,000), and administration and corporate costs of \$164,000 (vs \$108,000).

Net cash used in the operating activities increased to \$273,000, which was primarily due to an increase in administration and corporate costs, arising from increasing operational commercial activity.

Payments

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

<ENDS>

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Norwood is changing the way we globally connect

At Norwood Systems, we're passionate about revolutionising your telecommunications. To actualise this goal, we have developed amazing platforms that realise the world's largest federated telco network. By connecting your smartphone effortlessly and simply to local networks around the world via our award-winning Apps, you get high quality connections, clear and secure conversations for a fraction of international roaming costs.

About Norwood Systems

Norwood Systems provides voice, messaging and data services to consumers, enterprises and carriers globally, leveraging its' federated telecommunications services network partnerships. Our mission is to deliver disruptive end-user communications apps that streamline and simplify how users around the world can access affordable, high-quality telecommunications services – anywhere, anytime.

Norwood has solutions that service Enterprise, Telco and Partner channels.

Our [Enterprise Solutions](#) deliver powerful, yet simple corporate communications platform to make communications more cost effective, easier to manage, and regulatory compliant. This is all made possible by Corona® Cloud and Corona GTS, with its suite of mobility Apps.

Norwood Systems' innovative [Telco Solution](#) addresses all three categories of telecommunication provider. Major carriers, mobile virtual network operators (MVNOs), and Data-only providers.

Finally, our [Partner Solutions](#) are designed for the forward looking, customer driven Travel and Loyalty partner, providing an easy way to invigorate brand offerings with App based benefits.

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

ABN

15 062 959 540

Quarter ended ("current quarter")

31 March 2021

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	197	770
1.2 Payments for		
(a) research and development	(176)	(651)
(b) product manufacturing and operating costs	(81)	(295)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(140)	(452)
(f) administration and corporate costs	(164)	(487)
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	-	-
1.7 Government grants and tax incentives	91	948
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(273)	(167)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	220	220
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	18	135
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	195
3.6	Repayment of borrowings	-	(547)
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	238	3

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	50	179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(273)	(167)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	238	3
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	15	15

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	(15)	20
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)	15	50

6. Payments to related parties of the entity and their associates

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

**Current quarter
\$A'000**

58

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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	96	96
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	96	96

7.5 Unused financing facilities available at quarter end

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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: 31 November 2021.
 - Norwood has the option to repay earlier without penalties.
- Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2020 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)	(273)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	15
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	15
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.05

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

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, 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 placements for \$200,000 each in February and March 2020 and a further \$250,000 in June 2020, and \$100,000 completed in January 2021 and \$120,000 in February 2021. The Company also retains the ability to utilise an R&D loan facility during the 30 June 2021 financial year, 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 \$170,000 (approximately) for the December and March quarter, which would be received in the June quarter. The Company also anticipates qualifying for ongoing government Covid-19 allowances in respect of some of its staff, at a rate to be determined, and is also negotiating ongoing cost reductions including in respect of its lease and other operational items.

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.

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: 30 April 2021

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 – eg 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.