

**ASX ANNOUNCEMENT**

**30 January 2023**

**Norwood Corporate Overview and App 4C for December 2022 Quarter**

**Highlights**

- Achieved net operational cashflow of \$99,000 in Q4 2022 compared to \$276,000 net outflow in Q3 2022 and \$89,000 outflow in Q4 2021
- Secured contract variation with Spark NZ for extended pricing for Spark Voicemail service till end of CY2025 and maintenance charges till end of FY2026
- Secured new purchase orders from Spark NZ totalling NZD\$682,000 for FY 2023
- Completed development stage for both Infosys contracts, progressing to the next phase of the Tier 1 Operator Proof-of-Concept project
- Received Australian Tax Office R&D grant of \$464,000
- Appointed Ronan Dunne, former CEO of Verizon Consumer Group and O2, as Strategic Advisor
- Generated interest in AI-powered CogVoice platform and apps from Norwood's ongoing international face-to-face marketing program

'Communications as a Service' pioneer Norwood Systems Ltd ("Norwood" or the "Company") (ASX: NOR) is pleased to provide an overview of the Company's activities for the December 2022 quarter and the accompanying Appendix 4C cashflow report.

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

*"The December quarter was an extremely busy one for Norwood, as we worked to enhance our core revenue base and establish growth opportunities with both new and existing customers. Our relationship with Infosys and related parties continues to be a major growth avenue for us, and we are pleased to see that a number of additional business development discussions are now solidly underway with a number of commercially interesting international communications service providers and global hyperscalers around the world.*

*"The interest in Norwood's CogVoice platform has been growing steadily due to the company's refreshed international face-to-face outreach marketing program, its first since the COVID-19 pandemic, currently ongoing at high intensity. The recent launch of OpenAI's ChatGPT platform, which uses the same underlying technologies as those Norwood has been utilising for the past two years, is also boosting Norwood's presence in the market by raising public and institutional awareness of the potential of conversational and generative AI platforms. It is an opportune moment for Norwood to be operating in this space.*

*"The recent appointment of Ronan Dunne as our Strategic Advisor showcases Norwood's international reputation and elevates our expertise and global connections in the global service provider market. This will support our efforts in expanding CogVoice's reach into targeted service providers and maximising its market potential.*

*"We are very proud to have achieved a record revenue period in the September quarter and maintained prudent cost control in the December quarter, resulting in positive operational cashflow. This puts us in a strong position to accelerate growth in the coming quarters. The innovative CogVoice platform continues to gain attention, and with our strategic advisor on board, we are well positioned to take advantage of the growing opportunities in the market."*

## **Sales and Commercialisation Activities**

### **Spark NZ Contract**

Norwood has had a long-standing relationship with Spark NZ and on 14 October 2022, the company announced that it had signed a variation to its voicemail service agreement with the telecommunications company.

The updated agreement covers Norwood's premium Spark Visual Voicemail service, which now has a fee structure locked in for the next three years, from 1 January 2023 to 31 December 2025, for voicemail services and from 1 July 2023 to 30 June 2026, for maintenance charges. The maintenance charges have been adjusted to reflect the New Zealand Consumer Price Index (CPI) increases, helping to minimise Norwood's exposure to inflationary pressures.

The agreement variation is a significant milestone in the positive development of Norwood's relationship with Spark NZ. According to the company's 30 June 2022 annual report, since the end of the financial year 2022, Spark NZ has supplied Norwood with new Purchase Orders, totalling approximately NZD\$682,000 for expected end-user subscription and maintenance services for the financial year 2023 (compared to approximately NZD\$639,000 for services provided in financial year 2022).

Norwood has worked with Spark NZ since 2018, providing the company with a branded version of Norwood's World Voicemail service and smartphone application, available on the New Zealand App Stores. In March 2020, Spark NZ started promoting the service, Spark Voicemail, to its subscribers, and by October 2020, a multi-site, geo-redundant on-premises visual voicemail solution was delivered and integrated into Spark NZ's virtualised network and compute infrastructure.

### **Global Technology Relationship with Infosys**

Norwood formed a new global technology and services supply relationship with Infosys in March 2022. As part of this partnership, Norwood entered into its first contract with Infosys, to supply a bespoke communications solution to a German-based client. The 12-month contract is expected to generate approximately \$170,000 in annual revenue for Norwood, with the potential for ongoing recurring revenue in the future if additional contract extensions are agreed.

The solution leverages Norwood's elastically scalable, high-availability, cloud-native platform architecture, which the company has developed for deploying its core communication services platforms, CogVoice and World Voicemail.

Norwood also secured a second contract with Infosys in March 2022, which entailed delivering a Proof of Concept (PoC) communications solution, based on CogVoice technologies, for a major Tier 1 Operator in Australia and an Infosys client.

This PoC showcased Norwood's cutting-edge CogVoice AI capabilities for a specific advanced Operator voice application. Norwood completed the project successfully in September 2022, earning approximately \$130,000 in revenue as a progress payment. Discussions for the next phase of the project have progressed during the December 2022 quarter and are currently actively ongoing.

### **Completion of Unmarketable Parcel Sale Facility**

On 21 October 2022, Norwood announced that it had completed an unmarketable parcel sale facility (Facility) for shareholders who held less than \$500 worth of fully paid ordinary shares in the Company (Unmarketable Parcels), which was announced to ASX on 29 August 2022. As at the facility closing date of 14 October 2022 (Closing Date), unmarketable parcels of shares in the Company totalled 7,312,257 ordinary shares of the Company, held by 1,731 shareholders (Sale Shares).

The Company has completed the facility through ACNS Capital Markets Pty Ltd T/A Alto Capital (Alto), pursuant to which Alto facilitated the sale of the Sale Shares under the Facility at a price of \$0.017016 per share, for total sale proceeds of \$124,425.

The share registry has completed the mail out of all Sale Share proceeds to the 1,731 shareholders who participated in the facility.

## **Product and Service Development Activities**

### **CogVoice – The platform powering cognitive voice applications for Service Providers**

The CogVoice platform, developed by Norwood through its five-year investment in AI technology and strong internal AI engineering competency, is attracting attention from international communication service providers and global hyperscalers. One Proof of Concept has progressed to the next phase of productisation/rollout discussions with a Tier 1 operator, which are currently actively ongoing.

CogVoice in particular has undergone two years of intense research and development and is now delivering innovative and powerful applications that are generating significant interest, worldwide, amongst service providers and partners. Norwood's recent first in-person international marketing program has showcased, and continues to showcase, CogVoice's potential to transform the operations of these entities and drive retention, growth and/or monetisation of their voice services.

The recent rise of platforms like ChatGPT has markedly increased the overall market's consideration of conversational and generative AI, and Norwood's CogVoice platform is well-positioned to deliver on that potential. The company's expertise and development in this area make it an attractive option for operators seeking to capitalise on these trends and looking to offer brand-new and "charismatic" services enabled by CogVoice.

## **Business Activities Expenditure**

In accordance with ASX Listing Rule 4.7C.1, with respect to business activities expenditure, Norwood can confirm there was a decrease in its business expenditure by \$278,000 in comparison to the previous quarter expenditure.

Total direct business expenditure was \$534,000 for the December 2022 quarter (vs \$817,000 last quarter), consisting of research and development expenses of \$175,000 (vs \$260,000), operating costs of \$74,000 (vs \$102,000), staff costs of \$125,000 (vs \$156,000), and administration and corporate costs of \$160,000 (vs \$299,000).

Net cash received in the operating activities increased to \$99,000 (compared to an outflow in the previous quarter of \$276,000) primarily due to prudent cost control and an Australian Tax Office Research and Development government grant totalling \$464,000 during the quarter.

Proceeds from the conversion of 7,472,427 unlisted options exercisable at 2.4 cents expiring 31 December 2022 totalled \$180,000 in the quarter, \$171,000 were converted by Non-Executive Director Dr John Tarrant through his wholly owned and controlled company Balmain Resources Pty Ltd. Dr Tarrant's holding at the end of the quarter is now 19.98% of the total issued capital.

## **Payments**

Norwood notes that item 6.1 in the Appendix 4C relates to executive director fees primarily being salary and superannuation payments made in the quarter.

<ENDS>

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## About Norwood Systems

Norwood Systems is an Australian public company that offers novel and highly advanced cognitive AI platforms for voice and messaging capabilities to service providers, businesses, and consumers. Norwood's services are aimed at a 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.AX.

# Appendix 4C

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

Name of entity

NORWOOD SYSTEMS LIMITED (ASX: NOR)
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ABN

15 062 959 540
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Quarter ended (Current quarter)

31 December 2022
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### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (6 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	173	709
1.2 Payments for:		
(a) research and development	(175)	(435)
(b) product manufacturing and operating costs	(74)	(176)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(125)	(281)
(f) administration and corporate costs	(160)	(459)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received		5
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	464	464
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>99</b>	<b>(177)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(39)	(39)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>( 39)</b>	<b>( 39)</b>

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (6 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	53	53
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	179	179
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	131	189
3.6 Repayment of borrowings	(448)	(448)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>( 85)</b>	<b>( 27)</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	279	497
4.2 Net cash from / (used in) operating activities (item 1.9 above)	99	(177)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	( 39)	( 39)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	( 85)	( 27)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>254</b>	<b>254</b>
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	224	249
5.2 Call deposits	30	30
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	<b>254</b>	<b>279</b>
<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	39	
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 & superannuation Payments to Managing Director, see quarterly report commentary.		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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	131	131
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	-	-
<b>7.4 Total financing facilities</b>	<b>131</b>	<b>131</b>

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.

<b>Key Facility Terms:</b>
<ul style="list-style-type: none"> <li>• Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital for FY July to September 2022 period.</li> <li>• Amount: 80% of the expected R&amp;D tax offset resulting from each period's eligible R&amp;D expenditures, with principal and interest repaid from the actual tax offsets at the end of the June 2023.</li> <li>• Final Maturity Date: 30 November 2023 and expected to be paid in October 2023. <ul style="list-style-type: none"> <li>○ Norwood has the option to repay earlier without penalties.</li> </ul> </li> <li>• Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2022 until the loan is repaid in full).</li> <li>• Security: Secured against the R&amp;D refund receivable from the ATO in October 2022.</li> <li>• Conditions: R&amp;D expenditure has to be reviewed by R&amp;D Tax Consultants</li> <li>• Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditures.</li> </ul>

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 <b>Net cash from / (used in) operating activities</b> (Item 1.9)	99
8.2 Cash and cash equivalents at quarter end (Item 4.6)	254
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	254
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	N/A

*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
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:  

N/A
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:

N/A
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*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: Monday, 30 January 2023

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.