

**ASX ANNOUNCEMENT**

**31 July 2022**

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

**Highlights**

- Strong progress made on the two contracts under the advanced global technology and services supply relationship with Infosys Limited (Infosys) :
  - Post-quarter Norwood successfully completed one of the two Infosys contracts
  - The second contract is progressing on schedule
- Receipts from customers for the June 2022 quarter totalled \$235,000, compared to \$172,000 in the March 2022 quarter, an increase of 37%
- Raised \$637,590 via fully underwritten Entitlement Rights Issue, and an additional \$200,000 via Convertible Note issue to Norwood director Dr John Tarrant
- Bolstered cash and Balance Sheet position at 30 June 2022 of \$497,000, compared to \$114,000 at 31 March 2022
- Multiple test releases of the first productised service for the Aïda Intelligent Assistant service launched to selected customers and partners during the quarter.

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

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

*“Throughout the June 2022 quarter the Norwood team was laser focused on achieving operational excellence in the delivery of its two recently secured Infosys contracts and ongoing Spark NZ works package.*

*“Post-quarter, we successfully completed one contract under the global technology and services supply relationship with Infosys. The second Infosys project is advancing well, with test software builds (incorporating Aïda technology) having been released for evaluation to the end-client, securing positive feedback.*

*“The successful execution and progression of these contracts during the June 2022 quarter is positive progress for Norwood.*

*“We are progressing our growth strategy following further funding support via the successfully completed fully underwritten Entitlement Rights issue and Convertible Note issue during the June 2022 quarter and have commenced a vigorous hiring programme for entry-level and senior-level machine learning personnel.*

**Sales and Commercialisation Activities**

**Global Technology Relationship with Infosys**

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

Norwood subsequently entered into a contract with Infosys for the Company to supply a communications solution to a Germany-based client of Infosys.

Under the scope of the initial 12-month contract, Norwood expects to receive approximately \$170,000 in revenue. During the June 2022 quarter, Norwood progressed the package of works as scheduled, with excellent feedback from the client.

Later in the March 2022 quarter, Norwood secured a second contract with Infosys. This encompassed the delivery of an advanced Proof of Concept (POC) communications solution for a major Tier 1 operator in Australia and Infosys client, with an end-client and application focus that will showcase Norwood's cutting-edge Aida artificial intelligence capabilities for advanced call management applications.

During the June 2022 quarter, Norwood achieved excellent progress towards completing this second contract and banked approximately \$130,000 in revenue post-quarter, as a progress payment for this project, in line with Norwood's estimate.

### **Spark NZ Contract**

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

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

Throughout the June 2022 quarter Norwood continued to successfully progress its Agreement with Spark NZ, which encompasses the Company providing Spark NZ with a Spark-branded version of Norwood's World Voicemail service and application, for use by Spark NZ subscribers.

### **Fully Underwritten Entitlement Rights Issue & Convertible Notes Issue**

On 5 May 2022, Norwood announced it had executed a fully underwritten 1 for 7 Non-renounceable Rights Entitlement issue to raise \$637,590 ("the offer"). The offer also included a 1 for 1 free attaching option exercisable at 2.4 cents expiring 31 December 2023.

The \$0.015 Offer issue price represented a 25% premium to the Company's previous closing price of \$0.012.

On 23 June 2022, Norwood announced it executed a deed of variation to a convertible note binding term sheet for an additional 200,000 convertible notes with a face value of \$1 each to Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant. The convertible note issue to Dr Tarrant raised \$200,000 for the Company. The initial convertible note was executed and announced to ASX on 28 March 2022.

Funds raised from the capital raisings ensure that Norwood is well capitalised to execute on its current client projects, as well as existing service innovation projects, such as the Aida platform, which is designed to provide new options for telco partners in how they handle voice calls on their networks.

### **Product and Service Development Activities**

#### **AIDA – Norwood's forthcoming Intelligent Assistant service**

Norwood's Aida service is targeted at communication service providers ("telcos"), particularly those who are interested in modernising their general inbound voice call completion network services, to serve as a 5G Voice Innovation

Service for the telcos' small and midsize business (SMB) or prosumer subscribers.

Aida's portfolio of capabilities is ideally suited to supporting end-users who work in small businesses or are

sole traders and who generally would struggle to fund a human personal assistant. Among a number of unique and patentable features, Aïda has a “dynamic transactional memory” that aids the service considerably in building robust and engaging dialogue flows.

Norwood has, through its own development efforts, developed a proprietary approach to detecting end-user intents with great reliability, which the Company is calling “Elastic Attention™”. This powers Aïda’s ability to maintain total fluidity in a conversation, whilst also having a precise focus on what the caller wants to achieve.

In prior quarters, the Company has pitched Aïda to both prospective network operators and vendor partners. Norwood has so far received a positive response which culminated in the first contract secured via Infosys.

During the June 2022 quarter, Norwood’s primary focus was on fully mobilising and making substantial progress at its recently secured contracts with Infosys, one of which involved releasing a heavily customised version of the Aïda platform for a specific Tier-1 customer of Infosys’s.

Norwood has now reached an operational ‘steady state’ on these works, and consequently the Company is now enhancing its focus on making available further beta versions of Aïda, specifically adapted and customised versions to suit certain vertical market segments that the Company is targeting. Accordingly, Norwood increased its research and development expenditure during the June 2022 quarter as it ramps up its general Aïda development efforts.

## **Business Activities Expenditure**

In accordance with ASX Listing Rule 4.7C.1, with respect to business activities expenditure, Norwood can confirm there was an increase in in business expenditure by \$305,000 in comparison to the previous quarter expenditure.

Total direct business expenditure was \$835,000 for the June 2022 quarter (vs \$530,000 for the March 2022 quarter), consisting of research and development expenses of \$290,000 (vs \$187,000), operating costs of \$36,000 (vs \$69,000), staff costs of \$282,000 (vs \$125,000) which included the payment of statutory employee obligation payments, and administration and corporate costs of \$227,000 (vs \$149,000).

Net cash used in the operating activities increased to \$599,000, due to the scheduled ramp up of research and development expenditure and costs associated with mobilising contracts secured in the March 2022 quarter.

## **Payments**

Norwood notes that item 6.1 in the Appendix 4C relates to payments of executive director fees to Paul Ostergaard.

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<b>Company:</b> <b>Paul Ostergaard</b> , CEO & Founder <b>Office:</b> +61 8 9200 3500 <b>Web:</b> <a href="http://www.norwoodsystems.com">www.norwoodsystems.com</a> <b>Twitter:</b> @norwoodsystems	<b>Investor Relations:</b> <b>Shane Murphy</b> , FTI Consulting <b>Office:</b> +61 8 9485 8888 <b>email:</b> <a href="mailto:shane.murphy@fticonsulting.com">shane.murphy@fticonsulting.com</a> <b>Mobile:</b> +61 420 945 291 <b>Twitter:</b> @ShaneWMurphy
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## **About Norwood Systems**

Norwood Systems Ltd (ASX: NOR) is revolutionizing mobile voice, messaging, data and cyber security services through its pioneering award-winning virtual mobile services platforms and associated Apps.

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

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

## Appendix 4C

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

Name of entity

**NORWOOD SYSTEMS LIMITED (ASX: NOR)**

ABN

**15 062 959 540**

Quarter ended (Current quarter)

**30 June 2022**

#### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (12 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	235	1,033
1.2 Payments for:		
(a) research and development	(290)	(875)
(b) product manufacturing and operating costs	(36)	(272)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(282)	(693)
(f) administration and corporate costs	(227)	(800)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	390
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(599)</b>	<b>(1,210)</b>
<b>2. Cash flows from investing activities</b>		
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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

## Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (12 Months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	638	1,040
3.2 Proceeds from issue of convertible debt securities	215	630
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(57)	(57)
3.5 Proceeds from borrowings	186	348
3.6 Repayment of borrowings	-	(306)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>982</b>	<b>1,655</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	114	52
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(599)	(1,210)
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)	982	1,655
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>497</b>	<b>497</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	467	84
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>497</b>	<b>114</b>

## 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
38
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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

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**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	138	138
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	-	-
7.4 Total financing facilities	138	138

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

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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: 30 November 2022.
  - Norwood has the option to repay earlier without penalties.
- Interest Rate: 14% per annum, and default rate of 18% (from 1 October 2021 until the loan is repaid in full).
- Security: Secured against the R&D refund receivable from the ATO
- Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants
- Purpose of Loan as per agreement: Wholly or predominantly for working capital or research and development expenditures.

**8. Estimated cash available for future operating activities**

	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(599)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	497
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	497
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.8

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:

Yes, the company has taken steps to raise further cash to fund its operations. The company has sufficient cash flows forecast from customers together with recently raised funds from its non-renounceable rights issue and convertible notes to fund its operations. A further \$102,000 is forecast to be received from the R&D loan facility in the second week of August, which is accessible subsequent to the end of each quarterly period through Radium Capital, subject to certain criteria being met.

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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.
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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: Sunday, 31 July 2022

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".

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