

ASX ANNOUNCEMENT

29 January 2022

Norwood Corporate Overview and App 4C for December 2020 Quarter

Highlights

- Receipts from customers for the December 2020 quarter totalled \$195,000, an increase of 126.7% versus the prior December 2019 quarter
- Net positive operational cashflow for the last six months of the 2020 calendar year of \$131,000, compared to an operational cash flow of negative \$464,000 in the prior corresponding period
- Launch of Spark NZ's on-premises visual voicemail solution, developed by Norwood Systems
- Teaming Agreement (Agreement) with global leader in cognitive artificial intelligence, Amelia, to re-invent the telco voicemail service category
- Software development contract from Avicena Systems to support the development of highly scalable COVID-19 screening technology
- \$117,000 raised via the issue of New Options, further \$18,000 raised subsequent to end of quarter
- \$100,000 placement completed subsequent to end of the quarter
- 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 December 2020 quarter and the accompanying Appendix 4C cashflow report.

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

"I am delighted with our continued positive progress during the December quarter, as we finished the year in a significantly improved financial position compared to the prior corresponding period. Our continued focus is on developing our high-quality telco voicemail service offerings and our broader technological capabilities, in order to translate this positive operational momentum into long-term value creation.

"This was demonstrated during the quarter, as we entered into an agreement with Amelia to enhance the AI capabilities of our flagship World Voicemail offering, unlocking substantial commercial opportunities with telco providers in the local and global markets.

"Additionally, we secured a \$100,000 contract from Avicena for software development, highlighting the value that third parties place on our technological capabilities.

"The Company continues to navigate the COVID-19 situation proactively and pragmatically, with Norwood experiencing no material operational impacts stemming from the pandemic during the quarter.

The near term future for Norwood looks bright, with a number of important business opportunities showing good development this last quarter and hopefully coming to or nearing fruition this current quarter."

Product Development Activities

On 16 October 2020, Norwood announced that Spark NZ had gone live with Norwood's on-premises visual voicemail services, which are now integrated into Spark's virtualised network and computer infrastructure.

The advanced visual voicemail offering provides a modern voicemail interface for users to visually browse and manage voicemail messages through an App.

Voicemail messages are transcribed with advanced speech recognition technology, enabling users simply to read their voicemail messages, similarly to text messages, and also enables several other benefits such as text-based search and urgent voicemail alerts.

While the App is free for consumers to download, Norwood has a fee arrangement with Spark NZ related to the number of downloads that the App receives. Norwood anticipates that the revenue associated with Spark NZ will ramp up as the year progresses and downloads and subscriber numbers increase.

Amelia Partnership

On 23 November 2020, Norwood announced that it entered into a Teaming Agreement (Agreement) with global leader in cognitive artificial intelligence (AI), Amelia, an IPsoft company (Amelia).

The 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 "canned" recorded voicemail greetings with a dynamic and engaging virtual persona who can answer and screen your calls.

The new service will utilise Norwood's new Voice Assistant offering, which is a value-added offering that extends and enhances Norwood's flagship World Voicemail telco service.

It leverages Amelia's cognitive intelligence capabilities to provide an automated, interactive voice platform that seamlessly helps and screens inbound callers, much like a real personal assistant would be able to.

Norwood is expecting to be able to launch private telco operator beta trials of this revolutionary service in the current quarter.

Sales and Commercialisation Activities

In addition to the existing relationship with Spark NZ, 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.

Norwood currently has live telco pilots in Australia, Africa, Asia and North America at various stages of progression and hopes to report in further detail on these pilots as they develop. The Company is confident at present that potentially material progress will be achieved during this current quarter with one or more of these prospects.

Norwood is also continuing its business development efforts to establish formal partnership agreements with two potential large scale distribution partners as previously advised. Discussions with both parties are progressing and still afoot, and the pace of interactions with one of these has picked up encouragingly over the last quarter. The Company will report to the market as and when material developments take place with either or both parties.

Corporate

Avicena Contract

On 16 December 2020, Norwood announced it received a \$100,000 contract from Perth-based Avicena Systems in relation to its Automated Lamp Testing System (ALTS), which is being developed for the initial purpose of screening for the COVID-19 virus.

Under the scope of the contract, Norwood will develop the software functionality on the ALTS to 'operational prototype' requirements and will provide physical facilities to support the timely development of prototype software on the machine.

This includes a CPU, cloud reporting and storage, and a system control interface. The works under the contract are scheduled to conclude at the end of March 2021.

The ALTS is a scalable, low-cost screening system utilising ultra-high throughput molecular assay instruments that are capable of delivering more than 100,000 assay results per day per machine.

In October 2020, Avicena received funding from the Western Australian state government to develop the technology for COVID-19 screening purposes.

The core technology has future potential for low-cost genetic or viral screening services for population-scale health initiatives, and in the medium term Avicena aims to address the global molecular assay diagnostic and screening market.

Norwood is expecting a number of additional development contracts to arise in relation to this effort, specifically to integrate Avicena's platform to various lab operators' information management systems around the world. The company is very pleased to be assisting, albeit at a peripheral level, in the global battle against the COVID-19 pandemic, in particular on a system that will provide additional asymptomatic testing capability to make all Australians safer from any future local outbreaks of this or other viruses.

Options Placement

On 3 December 2020, Norwood initiated an Options Placement consisting of an offer of up to 101,880,789 New Options (\$0.08, 31 October 2021) at an issue price of \$0.002 per New Option, to raise up to approximately \$203,762 (Placement Offer).

On 18 December 2020, the Placement Offer closed with applications for 58,356,636 New Options received, equating to \$116,713.27.

Subsequent to year end the Company completed a shortfall placement of the New Options issuing a further 9,000,000 New Options to raise \$18,000, and applied to the ASX for quotation of the New Options under the ASX ticker code NOROC.

Placement

On 29 January 2021 the Company announced it had completed a placement of \$100,000 via the issue of 4,387,826 new shares at \$0.023 per share.

R&D Tax Offset Rebate

The Company 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 December quarter the Company anticipates utilising \$120,000 (approximately) for the December quarter, which would be anticipated to be received in the March 2021 quarter.

Payments

Norwood notes that item 6.1 in the Appendix 4C 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, @paulostergaard	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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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")

 31st December 2020

Consolidated 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	195	573
1.2 Payments for		
(a) research and development	(205)	(475)
(b) product manufacturing and operating costs	(81)	(214)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(137)	(312)
(f) administration and corporate costs	(108)	(323)
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	102	857
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(234)	106
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 (6 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)	117	117
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	96	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	213	(235)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	71	179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(234)	106
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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	213	(235)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	50	50

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	20	41
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)	50	71

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**

56

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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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	96	96
7.2	-	-
7.3	-	-
7.4	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)

(234)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

50

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

50

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)****0.21**

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 on 29 January 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 December quarter the Company anticipates utilising \$120,000 (approximately) for the December quarter, which would be received in the March 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: 29 January 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.