

ASX ANNOUNCEMENT

28 April 2023

Norwood Corporate Overview and App 4C for March 2023 Quarter

Highlights

- Achieved significant advancements in Norwood's **CogVoice™** platform over the quarter, enabling the delivery of ultra-fluid, high-performance and low-cost conversational AI assistants, specifically tailored for Communications Service Provider (CSP) voice network deployments.
- Currently in the final contractual negotiation stage for a material CogVoice contract with a local Tier 1 CSP, following successful completion of the Infosys Proof of Concept project for same CSP last year.
- Currently working towards CogVoice co-sale relationships with several significant hyperscale cloud services providers, to amplify Norwood's sales reach into the global CSP market.
- Successful launch post-quarter of Norwood's new **CogVoice Call Screener™** application on the global AWS Partner Ecosystem Portal, gaining the coveted AWS Foundational Technical Review (FTR) Approval and positioning Norwood as a leader and innovator in addressing the multi-billion global spam call problem¹².
- Filed a provisional patent application for key inventions relating to Norwood's innovative **Elastic Intent™** technology, enabling seamless and controlled AI-assisted conversations.
- Granted early, privileged beta access to the GPT-4 APIs by OpenAI, giving Norwood a head-start on key downstream applications in its CogVoice development pipeline.
- Progressed work for long-term client Spark NZ as scheduled, under Purchase Order agreement that extends contracted terms until at least the end of FY2026.
- Generated quarterly revenue of \$178,000, marking an increase from \$173,000 in the December 2022 quarter and a positive increase from the prior corresponding period a year ago.
- Secured a \$300,000 working capital facility to support flexible working capital needs and drive growth initiatives.
- Following a successful face-to-face market outreach at MWC 2023 in Barcelona in late February/early March 2023 with our Strategic Adviser Ronan Dunne attending, now focusing on converting the substantial volume of CSP leads and partnership development interest generated by the CogVoice platform and associated applications.

'Conversational Agents for Telcos' pioneer Norwood Systems Ltd ("Norwood" or the "Company") (ASX: NOR) is pleased to provide an overview of the Company's activities for the March 2023 quarter and the accompanying Appendix 4C cashflow report.

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

"During the March 2023 quarter, Norwood made substantial investments in R&D and marketing, expanding our innovative CogVoice platform's capabilities and stimulating global interest in the platform. The successful completion of the CogVoice-based Proof-of-Concept with Infosys has brought us close to finalising a contract for a large-scale production deployment with a Tier 1 Australian CSP."

¹ **CNBC report:** <https://www.cnbc.com/2021/06/29/americans-lost-billions-of-dollars-to-phone-scams-over-the-past-year.html>

² **BBC report:** <https://www.bbc.com/news/business-58926333>

“Our cognitive AI-powered CogVoice platform has garnered significant global attention, particularly at the recent 2023 Mobile World Congress in Barcelona. We are now focused on converting this interest into a solid project pipeline. In addition, our innovative CogVoice Call Screener service is poised for growth following its launch on the AWS Partner Ecosystem Portal and the achievement of the AWS Foundational Technical Review approval.

“A key aspect of our growth strategy has evolved towards driving sales engagement through large cloud service providers’ own telco sales functions. We are encouraged by the considerable interest in Norwood’s offerings and are presently working on strengthening our engagement with several major hyperscalers to create mutually beneficial relationships.

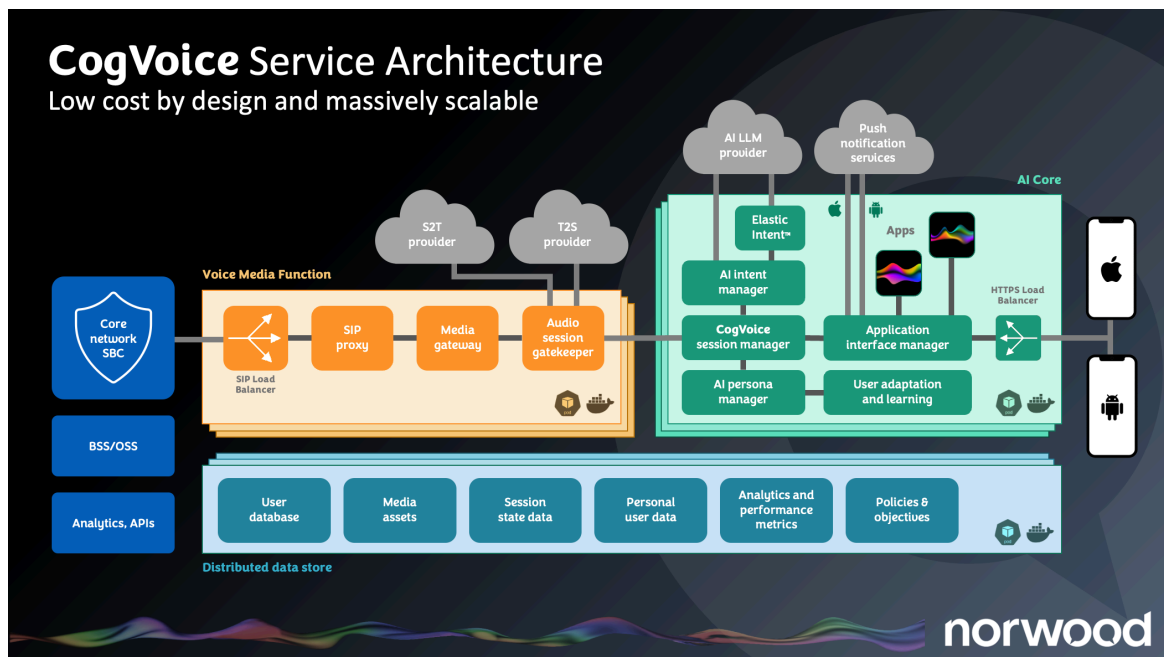
“Our long-term revenue visibility through Spark NZ, the ongoing contracts with Infosys, and enthusiasm for our cognitive voice technologies are all positive indications for Norwood. We are dedicated in advancing Conversational AI applications for CSPs and delivering outstanding solutions for our clients and partners.

“Most importantly, we are not just developing technology for technology’s sake – we are focusing on addressing real challenges experienced by CSPs and their customers worldwide. CogVoice Call Screener exemplifies our commitment to solving prevalent issues like spam and scam call protection. We are developing a robust pipeline of AI-driven applications that address real-world problems, keeping Norwood at the forefront of industry innovation and positively impacting end-users around the world.”

Sales and Commercialisation Activities

CogVoice: Powering Cognitive Voice Applications for Communications Service Providers

Norwood’s CogVoice platform leverages the power of artificial intelligence (AI) to provide exceptional natural language fluidity and responsiveness, making customer or caller engagement more streamlined and effective. With its low-cost implementation, best-in-class latency, and 4G/5G compatibility, CogVoice is the ideal solution for Communications Service Providers (CSPs) of all sizes.



CogVoice’s Scalable Service Architecture

In March 2022, Norwood announced a new global technology and services partnership with Infosys Limited, a leader in next-generation digital services and consulting. As part of this collaboration, Norwood secured a contract to develop and deliver an advanced CogVoice-powered Proof of Concept (PoC) communications solution for a major Tier-1 Australian CSP.

Following the successful completion of the PoC solution, Norwood and the CSP in question have made significant progress during the March 2023 quarter on contract negotiations for a large-scale production deployment. Further updates on this development are anticipated in the current quarter.

Additionally, Norwood secured a paid Proof-of-Value CogVoice project with a North American CSP during the March 2023 quarter. This project is in its early stages and is anticipated to be completed over the coming quarters.

MWC 2023: Building on the Momentum

The recent market outreach at MWC 2023 in Barcelona at the end of February 2023 marked a significant milestone for Norwood, generating considerable interest in the CogVoice platform and its associated applications. Norwood's CEO Paul Ostergaard, strategic adviser Ronan Dunne, and board members Philip Otley and Phil Marsland engaged in productive meetings with over two dozen operators, hyperscalers, and analysts, providing valuable feedback and opening doors for potential partnerships and collaborations in the cognitive voice CSP services space.

Moving forward from MWC 2023, the connections and relationships established during the event will play a crucial role in the Company's ongoing efforts to strengthen Norwood's market position and deliver value for its stakeholders. The positive response to CogVoice highlights a strong potential market demand for the downstream applications enabled by the platform, and the Norwood team is focused on capitalising on the opportunities generated at the event.

CogVoice Call Screener: Delivering AI-Powered Call Protection

Building on the work completed during prior quarters, Norwood recently launched its CogVoice Call Screener application on the Amazon Web Services (AWS) Partner Ecosystem Portal³. This AI-powered solution screens incoming calls from unknown callers at the voice interface level, identifying and filtering out scam or spam callers and keeping genuine callers connected.

Following considerable effort and engagement, Norwood has secured the AWS Foundational Technical Review (FTR) approval for the CogVoice Call Screener application. This signifies Norwood's dedication to providing top-quality solutions that adhere to AWS best practices, architecture, operations, and security standards.

Attaining FTR approval underscores Norwood's expertise in delivering high-quality AWS-based solutions, enhancing the Company's competitive edge on the AWS Partner Ecosystem Portal. This achievement is expected to boost Norwood's visibility and credibility within the AWS ecosystem, opening doors to new business opportunities and fostering a stronger relationship with AWS⁴.

Premium Visual Voicemail: Continued Success with Spark NZ

Norwood's long-standing partnership with Spark NZ remains strong, following the Company signing a variation to its premium visual voicemail service agreement in October 2022. The updated agreement extends the contracted terms for premium visual voicemail services and maintenance charges, securing a stable revenue stream for Norwood.

During the March 2023 quarter, Norwood successfully progressed Purchase Orders from Spark NZ, totalling approximately NZD\$682,000 for end-user subscription and maintenance services for FY2023. This ongoing relationship demonstrates Norwood's commitment to providing exceptional service and solutions to its clients and partners.

³ See: <https://partners.amazonaws.com/partners/0018W000025p7rKQAQ/Norwood%20Systems>

⁴ The Company is anticipating to have CogVoice Call Screener also listed on the AWS Marketplace in due course, complementary to its presence on the AWS Partner Ecosystem Portal.

Product and Service Development Activities

CogVoice Call Screener: Showcasing Norwood's Engineering Expertise with Advanced AI

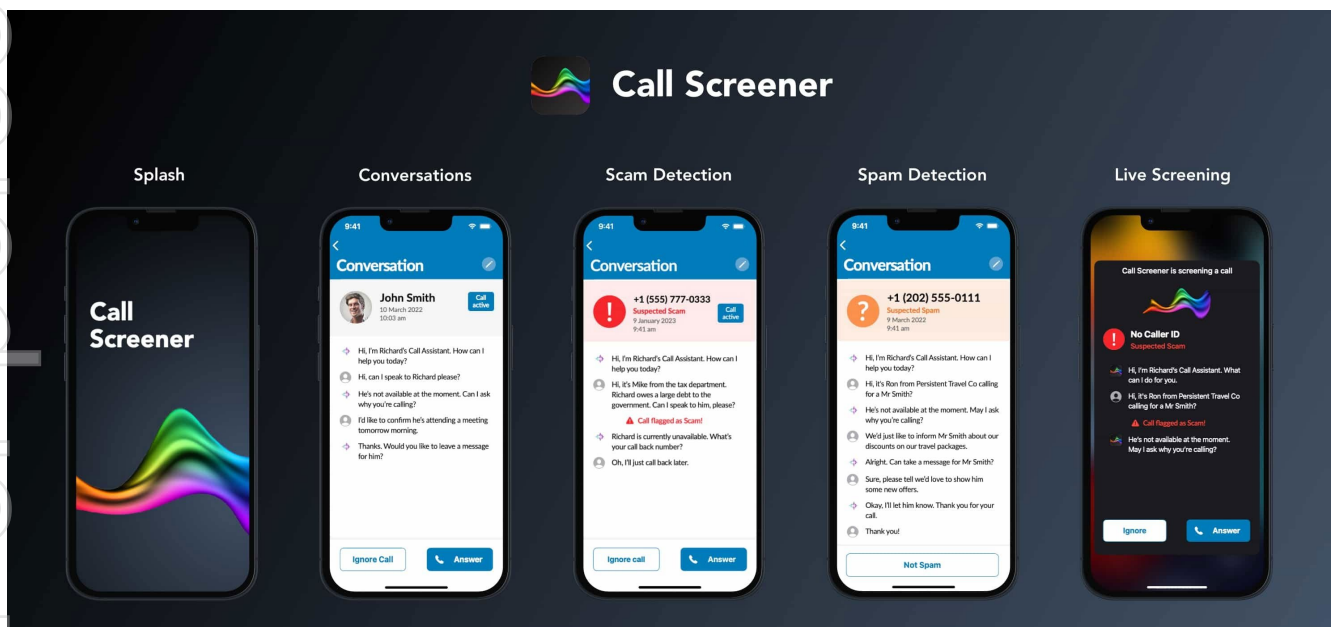
Norwood's focus on product development and innovation over the past 18 months led to the recent post-quarter launch of the CogVoice Call Screener Application on the Amazon Web Services (AWS) Partner Ecosystem Portal and its gaining FTR approval, as noted above.

CogVoice Call Screener utilises state-of-the-art Large Language Model (LLM) AI technologies to analyse incoming calls from unknown numbers at the voice interface level. In real-time, the system efficiently detects and distinguishes between regular, scam, and spam calls, ensuring genuine "good actor" callers remain connected.

Developing and testing the screening models presented several engineering challenges. The team had to ensure the models could adapt to the highly dynamic nature of telecommunications networks, processing call data quickly and accurately. Moreover, the models needed to be robust enough to account for various accents, dialects, and languages while maintaining a low false positive rate.

Through extensive research, development, and rigorous testing, Norwood's engineers successfully addressed these challenges, creating a highly effective and completely novel call screening solution for CSPs that leverages the latest start-of-the-art advanced LLM technologies.

CogVoice Call Screener is the first of a number of applications in Norwood's pipeline, focused on solving real end-customer problems, arising from Norwood's multi-year R&D investment in the CogVoice platform. Below is a white-label (generic) realisation of the CogVoice Call Screener user experience for the end-user subscriber, as used by certain Proof-of-Concept deployments, highlighting how CogVoice Call Screener can screen the incoming calls in real-time for a subscriber, and highlighting how the subscriber can jump into a call at any time during the screening process.



CogVoice Call Screener User Experience (white-label PoC realisation)

New Patent Filing: Advanced AI-Driven "Conversation System"

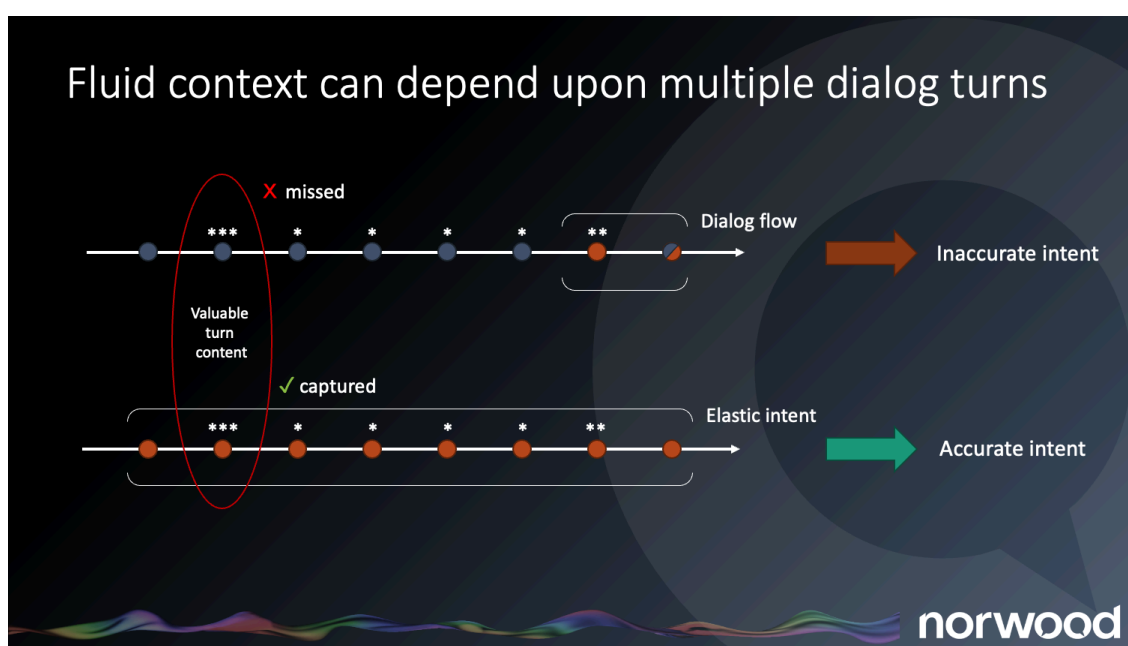
Late in the March 2023 quarter, Norwood filed a patent for key inventions pertaining to the Company's real-time screening notification system and its Elastic Intent processing, showcasing Norwood's commitment to innovation in Conversational AI applications.

Norwood's ground-breaking Elastic Intent technology enhances the capabilities of chatbots, virtual assistants, and customer service platforms, enabling them to handle complex, multi-turn conversations with greater ease

and fluency. By intelligently adapting to the complexity and context of the conversation, Norwood's advanced AI-driven "Conversation System" (as realised by CogVoice) provides a more seamless and natural user experience.

Some of the key benefits of Norwood's now patent pending CogVoice platform include:

1. **Enhanced user experiences:** The real-time screening notification system and Elastic Intent processing enable more natural and engaging interactions between users and machines, resulting in increased user satisfaction and loyalty.
2. **Improved handling of complex conversations:** The system's ability to predict user intent and generate contextually appropriate responses allows it to effectively manage multi-turn conversations, providing a more accurate and personalised interaction.
3. **Intellectual property protection:** The patent application provides a safeguard for Norwood's innovative CogVoice platform, positioning the Company as a leader in the Conversational AI CSP application market and supporting Norwood's competitive advantage.



Elastic Intent – Core Operating Model

Innovation and Industry Relationships: Early Beta Access to the OpenAI GPT-4 APIs

Norwood has been granted early access to the core GPT-4 APIs by OpenAI, an opportunity the Company understands has been extended to only selected organisations and individuals to date. Early access to this powerful technology helps Norwood to stay ahead in developing and integrating advanced and compelling applications, fully benefitting from the rapid pace of innovation in OpenAI's most advanced GPT platform.

Given the rate of change in the AI industry generally, the Norwood team is working tirelessly to exploit the benefits of early access to the GPT-4 APIs. This builds upon the early access granted to Norwood for OpenAI's GPT-3 APIs in early 2021, well before their public release and long before the appearance of ChatGPT.

OpenAI's state-of-the-art technology continues to make a significant global impact, and Norwood is proud to be at the forefront of innovators utilizing these powerful tools to drive progress and enhance user experiences in the conversational AI application market.

Corporate Activities

Working Capital Facility Secured

On 28 February 2023, Norwood announced that it had entered into an agreement providing access to a working capital facility of up to \$300,000, available in three separate tranches.

The funds will allow Norwood the flexibility to pursue multiple growth opportunities previously outlined, following an intensive period of research and development for the Company's CogVoice platform and associated application offerings, such as CogVoice Call Screener.

The loan has been advanced 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. Norwood has drawn down the full amount available under the facility.

The interest rate will accrue daily from the draw down date and will be calculated on the daily amount outstanding at a rate of 9.75% and will be payable on the repayment date of 30 June 2023. If the loan is not repaid by the repayment date, then there will be a default of an additional interest rate of 2% above the 9.75% until such time as the loan and all outstanding monies have been repaid. The loan is un-secured.

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 \$268,000 in comparison to expenditure in the previous quarter.

Total direct business expenditure for the March 2023 quarter was \$763,000 (compared to \$534,000 in the previous quarter), comprising R&D expenses of \$309,000, operating costs of \$57,000, staff costs of \$212,000, and administration and corporate costs of \$185,000.

Net cash used in operating activities was \$585,000 (compared to an inflow in the previous quarter of \$99,000), the difference primarily due to an Australian Tax Office Research and Development government grant totalling \$464,000 during the prior quarter.

Payments

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

<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)

ABN

15 062 959 540

Quarter ended (Current quarter)

31 March 2023

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	178	887
1.2 Payments for:		
(a) research and development	(309)	(745)
(b) product manufacturing and operating costs	(57)	(233)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(212)	(493)
(f) administration and corporate costs	(185)	(644)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	464
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(585)	(763)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(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)	-	-
2.6 Net cash from / (used in) investing activities	-	(39)

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)	-	53
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	179
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	427	617
3.6 Repayment of borrowings	-	(448)
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	427	401
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	254	497
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(585)	(763)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(39)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	427	401
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	96	96
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	66	224
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)	96	254
6. Payments to related parties of the entity and their associates	Current quarter \$A'000	
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.		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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	427	427
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	-	-
7.4 Total financing facilities	427	427

- 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.

R&D Facility:

Counterparty Innovation Structured Finance Co LLC facilitated by Radium Capital for FY July to September 2022 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 June 2023.

Final Maturity Date: 30 November 2023 and expected to be paid in October 2023. 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 2022.

Conditions: R&D expenditure has to be reviewed by R&D Tax Consultants

Purpose of Loan: Wholly or predominantly for working capital or research and development expenditures.

Working Capital Facility

The key terms of the agreement will see Norwood receive a first tranche of AU\$30,000 upfront, with a second tranche of \$30,000 and third tranche of \$240,000 available for drawdown up to 6th March, bringing the total to AU\$300,000. The interest rate will accrue daily from the draw down date and will be calculated on the daily amount outstanding at a rate of 9.75% and will be payable on the repayment date of 30 June 2023. If the loan is not repaid by the repayment date, then there will be a default of an additional interest rate of 2% above the 9.75% until such time as the loan and all outstanding monies have been repaid. The loan is unsecured.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(585)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	96
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	96
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.2

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:
- 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 to fund its operations. A further approx. \$120,000.00 is forecast to be received from the R&D loan facility in April 2023 for the period of January to March 2023 R&D work, which is accessible subsequent to the end of each quarterly period through Radium Capital, subject to certain criteria being met.

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: Friday, 28 April 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.