

ASX ANNOUNCEMENT

31 October 2024

Operations Overview and Appendix 4C for the 30 September 2024 Quarter

Cash Generative Quarter, featuring Growth in Customer Receipts, Key CSP Contract Progress, Further Technology Progress, and Expanded Global Engagement

Highlights

- **Cash generative quarter – improved cash inflows continue to support engagement with Communication Service Providers (CSPs) and hyperscaler partners:**
 - Increased customer receipts of \$406,000 for the September 2024 quarter, more than double that of the previous quarter (\$178,000 for the quarter ending June 2024).
 - Banked \$255,000 from Spark NZ as part of their annual payment schedule in July 2024.
 - Received an R&D tax refund of \$694,000 from the ATO in August 2024.
 - In September 2024, agreed an increase to the Cash Draw Down Facility currently with Balmain Resources Pty Ltd, providing Norwood with access to an additional \$130,000 under the existing Loan Agreement.
 - Post-quarter in October 2024, agreed an increase to the Cash Draw Down Facility currently with Balmain Resources Pty Ltd, providing Norwood with access to an additional \$150,000 under the existing Loan Agreement.
 - Post-quarter in October 2024, Norwood's CEO and founder, Paul Ostergaard, exercised \$20,000 worth of 5c and 8c NOR options to further support the Company's working capital.
 - Expecting a further \$130,000 from an R&D loan facility anticipated to be received in November 2024 for the period of July 2024 to September 2024 R&D expenditure.
- **Tier 1 CSP contract progress:**
 - Norwood is continuing contract negotiations with a local Tier 1 CSP in Australia. The Company's best and final offer (BAFO) submitted in early July 2024 has been well received. Having passed the important Vendor Assessment and Vendor Selection phases, Norwood is currently awaiting the completion of final internal CSP reviews of the final draft contract and final process sign-off decision hurdles.
- **New CSP Platform Opportunities with CogVoice OSMG:**
 - Norwood is currently piloting its CogVoice Open Services Media Gateway™ (OSMG) with a Tier 1 operator in the US, offering advanced media control and scalable agentic interfacing. Proposals for additional Proofs of Concept (POCs) are being made to European operators, highlighting OSMG's ability to integrate seamlessly and enhance service delivery across CSP networks, creating a bridge from the existing 4G/5G telco networks to the new rapidly evolving AI world.

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- **AI Platform Enhancements and Commercial Use:**

- Significant progress in Norwood's AI platform, which is being actively demonstrated to major potential and existing partners. The AI suite now includes real-time fraud detection, speech-to-text, and conversation summarization capabilities.

- **Multiple Azure Marketplace Listings and Go-To-Market Expansion:**

- Norwood's strategic push into the Azure Marketplace continues, with multiple offerings now live on the Marketplace, enabling further engagement with Microsoft's CSP account teams. Over the September 2024 quarter, Norwood has been conducting joint CSP account calls with Microsoft's CSP account teams, expanding the Company's footprint and visibility with CSPs in Europe, North America, and Asia.

- **Engineering and Performance Enhancements:**

- Key upgrades to core platforms, including OSMG optimizations and the introduction of SIPREC (SIPREC stands for SIP Recording, an IETF RFC standard), for real-time in-line call recording and fraud detection. These improvements boost platform scalability and efficiency, critical for current and future CSP deployments.

- **Strengthened Engagement with Global Hyperscalers:**

- Post-quarter, in early October 2024, Norwood was prominently featured at MWC Las Vegas, as a Microsoft partner, where the Company was provided rare access to speaking slots at key panel discussions, including presentations alongside major Microsoft partners including Nvidia. Such close and visible participation with Microsoft further enhances Norwood's position in the global AI and telecommunications landscape, highlighting its continued alignment with industry-leading technologies and expanding market pathways.

- **Progressed work for long-term client Spark NZ as scheduled:**

- Continued to receive strong cashflows from operations with Spark NZ, including the \$255,000 annual payment received this past quarter.

Norwood Systems Ltd ("**Norwood**" or the "**Company**") (ASX: NOR), a leading cloud-native voice service platform innovator, is pleased to provide an overview of the Company's activities for the September 2024 quarter and the accompanying Appendix 4C cashflow report.

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

"We've made solid progress with the local Tier 1 CSP in Australia this quarter. Our best and final offer (BAFO), as reported last quarter, was well received, and we've passed a number of crucial key milestones since then, including the vendor assessment and vendor selection contracting phases. We're currently awaiting the completion of the CSP's final internal reviews and process sign-offs.

"Our ongoing engagements in North America and Europe, including several PoCs in the pipeline, continue to reflect the growing interest in Norwood's innovative solutions. We remain committed to advancing these relationships and delivering further value to our stakeholders.

"We are especially pleased with the advancements in our growing AI capabilities within the CogVoice platform and the rollout of new CSP service capabilities with our CogVoice

Open Services Media Gateway (OSMG). The ongoing pilot with a Tier 1 operator in the US has showcased the platform's advanced media control and agentic interfacing, with further Proofs of Concept (POCs) under discussion with European CSPs.

"Additionally, our push into the Azure Marketplace continues to expand, as does our engagement with Microsoft generally, with several offerings already live, which is having a galvanising effect on jointly engaging CSPs alongside Microsoft CSP account teams.

"Our strengthened partnerships with hyperscaler platforms like Microsoft and AWS, as well as our ongoing engineering and product enhancements, have enabled us to drive significant operational improvement in our platforms. With a robust R&D pipeline, Norwood is well-positioned to continue delivering value to its CSP partners and stakeholders globally.

"We remain committed to executing our strategy of innovation, operational excellence, and market expansion, all aimed at solidifying Norwood's role as a leader in the development of next-generation voice services for CSPs worldwide."

Sales and Commercialisation Activities

Local Tier 1 CSP Contract Progress

Norwood is in the final stages of closing a contract with a local Tier 1 CSP in Australia. The Company's best and final offer (BAFO), as reported in the June 2024 Quarterly update, has been well received, and Norwood understands it has passed the key vendor assessment and selection phases. Norwood is currently awaiting the CSP's final internal contract reviews and process sign-off decision hurdles

New CSP Platform Opportunities with Norwood's CogVoice OSMG

Norwood is advancing its role as a pioneering provider in the telco AI integration space with the CogVoice Open Services Media Gateway™ (OSMG). Currently piloted with a Tier 1 operator in North America, the OSMG demonstrates exceptional capabilities in advanced, flexible media control and scalable agentic interfacing, proving indispensable for integrating AI-powered voice services seamlessly into existing telecom architectures.

Bridging Telecom Core and Emerging AI-Driven Services

The OSMG platform is uniquely designed to bridge the established, standards-based core of 4G/5G telecom networks with the fast-paced innovation of internet-based AI and advanced media services. By enabling compatibility with novel REST, gRPC, and WebSocket real-time interfaces, the OSMG allows CSPs to extend beyond legacy service boundaries and unlock powerful, AI-driven media capabilities. This integration not only accelerates service innovation but also enables CSPs to provide enriched subscriber experiences through real-time processing, such as automated transcription, voice authentication, and AI-enhanced customer interaction.

Expanding into New Markets and Potential Further POCs in Europe

In addition to the North American pilot, Norwood has engaged with several European Tier 1 operators, in partnership with several of Microsoft's own CSP account teams, to explore the potential for further Proofs of Concept (POCs). These engagements are part of Norwood's strategic push to expand its footprint of CSP engagements globally, leveraging the OSMG platform's unique strengths to address emerging market gaps. Encouraged by feedback from leading hyperscalers and CSPs,

Norwood is well-positioned to deliver AI-augmented services that drive new value for CSPs, reinforcing the relevance of Norwood's offerings in a rapidly evolving digital landscape.

Strengthened Partnerships with Hyperscalers

This past quarter, Norwood continued to strengthen its partnerships with key hyperscalers, including Microsoft and AWS, to accelerate go-to-market activities for its AI and voice platforms.

- **Microsoft Collaboration:** Norwood's ongoing collaboration with Microsoft reached new heights this quarter. At **MWC Las Vegas**, post-quarter in early October 2024, Norwood was invited by Microsoft to showcase its AI-powered solutions as part of Azure's OpenAI Service Integration. This high-profile event provided Norwood with rare access to speaking slots on key panel discussions, alongside major Microsoft partners like Nvidia. Norwood also demonstrated its **Azure-powered solutions** to a major Tier 1 operator in the UK, highlighting its capacity to integrate AI-driven voice services into cloud environments.

Norwood's strategic push into the **Azure Marketplace** continues, with multiple offerings now live, including Call Screener and FrontDesk (a new SME-focused version of Agentic IVR, and most recently the listing of CogVoice OSMG on the marketplace, enabling further engagement with Microsoft's CSP account teams.

Norwood is now conducting joint account calls with Microsoft's CSP teams, further expanding the Company's footprint with CSPs in Europe, North America, and Asia.

- **AWS Collaboration:** In Australia, Norwood is working in partnership with **AWS** to on platform architectures to deliver cutting-edge scalable and secure voice solutions to Tier 1 CSPs using AWS cloud services. This collaboration is part of a broader strategy to leverage hyperscaler platforms to expand Norwood's footprint in cloud-based CSP services.

These initiatives underscore Norwood's commitment to innovation and its strategy for market expansion. By partnering with leading hyperscalers, Norwood aims to deliver its advanced AI-powered voice solutions to a wider array of customers and sectors.

Product and Service Development Activities

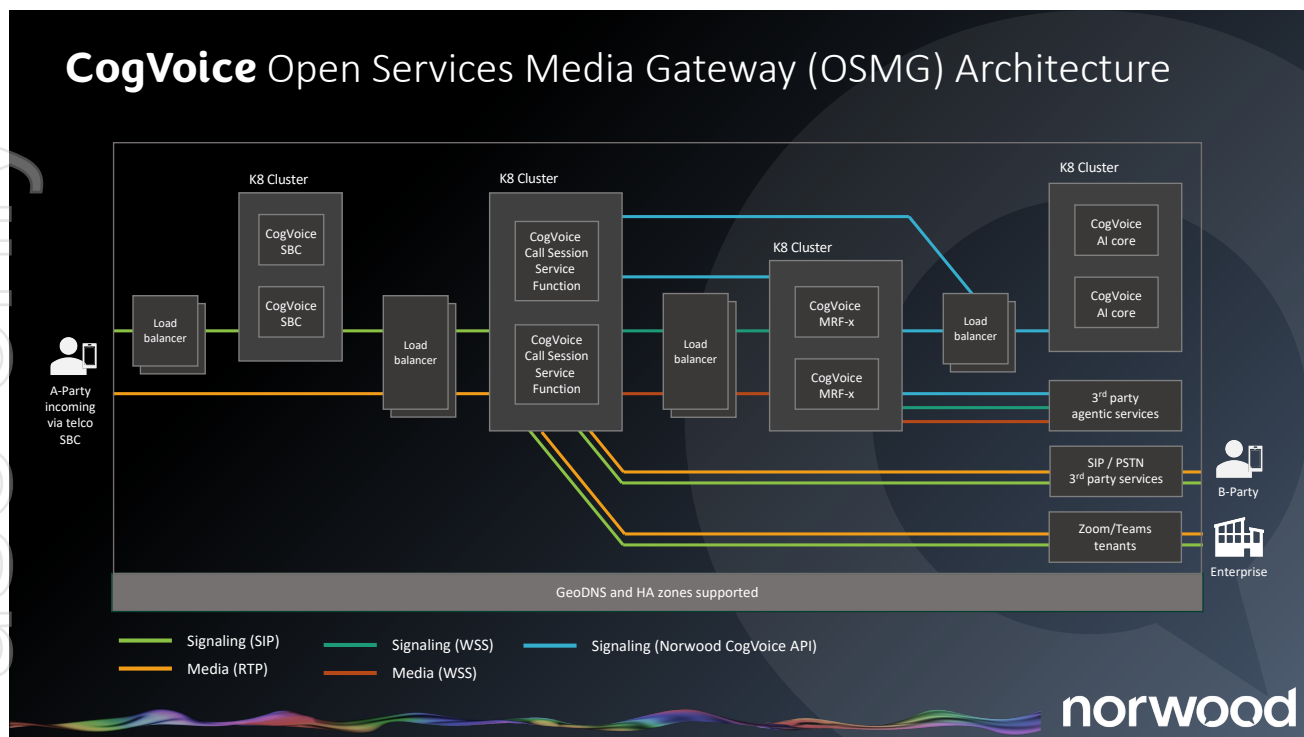
Norwood's CogVoice platform continues to evolve, setting new industry benchmarks by leveraging advanced AI technologies to deliver cutting-edge cognitive engagement applications. This quarter, while we have continued to build on prior developments, several new features and enhancements have been introduced, showcasing the platform's versatility and future potential for Communication Service Providers (CSPs).

1. CogVoice Open Services Media Gateway™ (OSMG)

Building on last quarter's foundational work, Norwood has made significant progress in the ongoing pilot of the CogVoice OSMG with a Tier 1 operator in the US. This quarter, the OSMG has been further enhanced to streamline media control and expand the platform's capabilities for agentic interfacing, paving the way for real-time voice service management and integration with AI-powered functions. New features this quarter include:

- Expanded support for multi-engine speech-to-text processing, enabling more robust media control for CSPs.
- WebSocket support for seamless integration of audio announcements and dynamic media applications across CSP networks.

The OSMG remains a cornerstone of Norwood's strategy to deliver high-performance agentic services, both in cloud and on-premises environments, to meet diverse CSP infrastructure needs.



Norwood's CogVoice Open Services Media Gateway (OSMG) Architecture

2. Visual Voicemail and AI-Powered Interactive Voice Response (IVR)

Norwood has made additional strides in its Agentic IVR system and Visual Voicemail offerings. New advancements this quarter include:

- Completed integration of the SMPP protocol for SMS handling within Visual Voicemail, further enhancing communication pathways for CSPs.
- Ongoing development of a seamless voicemail exchange library for integration with Apple's Visual Voicemail, allowing compatibility with broader device ecosystems.
- Enhanced natural language processing (NLP) in the IVR system, improving the accuracy and speed of call routing decisions, leading to a more intuitive user experience for subscribers.

These developments are designed to ensure seamless integration with existing CSP infrastructures, while also minimizing deployment complexity and maximizing CSP return on investment (ROI).

3. Azure and AWS Integration

This quarter, Norwood has deepened its collaboration with Microsoft Azure and AWS, driving product advancements that expand the CogVoice platform's reach:

- Continued integration of Azure's OpenAI and Speech Services, now extended to support more real-time transcription and dynamic response generation in multilingual environments. This collaboration allows CogVoice to offer CSPs a more adaptable and globalised voice service platform.
- Enhanced collaboration with AWS to support a Tier 1 Australian operator, with a focus on providing cloud-based scalability and AI-driven voice solutions through the AWS infrastructure.

These partnerships are crucial in enabling Norwood to expand its market presence while ensuring the platform's AI capabilities remain at the forefront of innovation.

4. Scalability and Performance Enhancements

Significant improvements to the CogVoice platform's scalability were made this quarter, targeting the operational demands of large CSPs:

- **Concurrency boosts:** The platform can now handle higher volumes of simultaneous calls, critical for Tier 1 CSP deployments.
- **Further reductions in latency,** achieved through optimised AI model usage and faster data processing techniques, enhancing real-time user interactions.

These upgrades not only reduce operational costs but also improve user experience, making the platform more attractive for CSPs looking to deploy AI-powered services on a large scale.

5. Enhanced Fraud Detection and Call Screening Capabilities

New developments in Norwood's Agentic Call Screener and fraud detection tools this quarter include:

- **A fully functional SIPREC protocol integration,** allowing for real-time call recording and fraud detection capabilities triggered by AI-based detection algorithms.
- **Improved machine learning algorithms for scam and spam detection,** ensuring that subscribers are better protected from fraudulent calls, with near-zero false positives.

6. Ongoing Research and Development

In addition to these Norwood continues to invest in forward-looking R&D initiatives:

- **Adversarial Agent Development:** Development is progressing on our CogVoice Adversarial Agent, designed to enhance system robustness by simulating challenging scenarios.
- **Onboarding Agent Refinement:** Continued work on our CogVoice Onboarding Agent, streamlining the process of introducing new users to complex systems and services.

These product and service developments underscore Norwood's commitment to innovation and our ability to meet the evolving needs of CSPs and their customers. By continuously enhancing its CogVoice platform and by expanding the suite of cognitive engagement applications, Norwood is positioning itself to drive the future of intelligent AI-powered communication services.

Financial

Financial commentary

Norwood continued its research and development efforts during the September 2024. ATO R&D Grant received for FY 2024, amounting to \$694,000.00 in August 2024.

Norwood has a loan facility for R&D work undertaken in the quarter which is accessible after the end of each quarterly period through Radium Capital. The loan facility is subject to certain criteria being met. A further loan instalment under the loan facility is anticipated to be received in November 2024 for \$130,000.

In April 2024, Norwood Systems Ltd (Norwood or the Company) entered into a Cash Draw Down Facility agreement with Balmain Resources Pty Ltd (Balmain), a company controlled by Non-executive Director Dr. John Tarrant. This agreement initially provided a capital facility of up to \$300,000, with establishment fees of 3% plus GST, and is scheduled for repayment by 31 December 2024, as announced on 30 April 2024. In September 2024, the facility amount was increased by mutual

agreement via a deed of variation to \$430,000, and with all other terms and conditions of the Loan Agreement remaining unchanged and in effect. In October 2024, a second deed of variation was executed between Norwood and Balmain, making available to the Company an additional \$150,000 under the facility, bringing the total to \$580,000. All other terms and conditions of the Loan Agreement remain unchanged and in effect.

In October 2024, Paul Ostergaard, the Company's CEO and Founder, exercised a number of 5c and 8c Norwood options to provide the Company with a further \$20,000 of working capital.

Business Activities Expenditure

Per ASX Listing Rule 4.7C. 1 with respect to business activities expenditure, Norwood confirms there was an increase in business expenditure of \$144,000 in the September 2024 quarter.

Norwood recorded a total direct business expenditure of \$882,000 for the September 2024 quarter, versus \$738,000 in the June 2024 quarter. The expenses consist of a \$389,000 research and development expense, operating costs of \$112,000, advertising and marketing costs of \$69,000. Staff costs of \$194,000, and administration and corporate costs of \$118,000.

Net cash generated in operating activities was \$220,000, (compared to the previous quarter's outflow of \$560,000), the difference is due to increased revenue for the current quarter, the R&D ATO refund of \$694,000.00 and Spark's annual payment of \$255,000.

Payments

Norwood notes that item 6.1 in the Appendix 4C relates to executive director salary and superannuation.

ENDS

For media inquiries, please contact:

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About Norwood Systems

Norwood Systems (ASX: NOR) is a leading innovator in voice communication services, providing advanced conversational and generative AI technologies to revolutionise global communications. Its solutions enhance user experiences, delivering reliable and cutting-edge voice services to customers worldwide.

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 September 2024

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	406	406
1.2 Payments for:		
(a) research and development	(389)	(389)
(b) product manufacturing and operating costs	(112)	(112)
(c) advertising and marketing	(69)	(69)
(d) leased assets	-	-
(e) staff costs	(194)	(194)
(f) administration and corporate costs	(118)	(118)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	694	694
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	220	220
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	-	-
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	-	-

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (3 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	20	20
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	152	152
3.6 Repayment of borrowings	(332)	(332)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other: <i>Payments for the principal portion of lease liabilities</i>	(17)	(17)
3.10 Net cash from / (used in) financing activities	(177)	(177)
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	69	69
4.2 Net cash from / (used in) operating activities (item 1.9 above)	220	220
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)	(177)	(177)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	112	112
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	87	24
5.2 Call deposits	25	45
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)	112	69
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	40	
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 and 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	430	430
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	-	-
7.4 Total financing facilities	430	430

- 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.

Cash Draw Down Facility

In April 2024 (varied in September 2024) the Company entered a Cash Draw Down Facility agreement with Balmain Resources Pty Ltd, a Company controlled by Non-executive Director Dr John Tarrant on the following key terms:

Facility amount up to \$430,000

Establishment fee 3% of the facility amount, plus GST

Interest rate 15% p.a. (default rate +2%)

Repayment date 31 December 2024

R&D Facility Terms:

Counterparty: Innovation Structured Finance Co LLC facilitated by Radium Capital for the July to September 2024 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 October 2024.

Final Maturity Date: 30 November 2024 and expected to be paid in October 2024. 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 2024.

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)	220
8.2 Cash and cash equivalents at quarter end (Item 4.6)	112
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	112
8.5 Estimated quarters of funding available (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:
- 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:
- N/A

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

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: Thursday, 31 October 2024

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.