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ASX ANNOUNCEMENT

30 October 2020

Norwood Corporate Overview and App 4C for September 2020 Quarter

Highlights

- Receipts from customers for the quarter totalled $378,000, an increase of 16.3% versus prior corresponding period
- Positive operational cash flow of $340,000 for the quarter, compared to a operational cash flow of negative $526,000 in the prior corresponding period
- Developed on-premises visual voicemail solution for Spark NZ and post-quarter this solution was successfully launched by Spark NZ

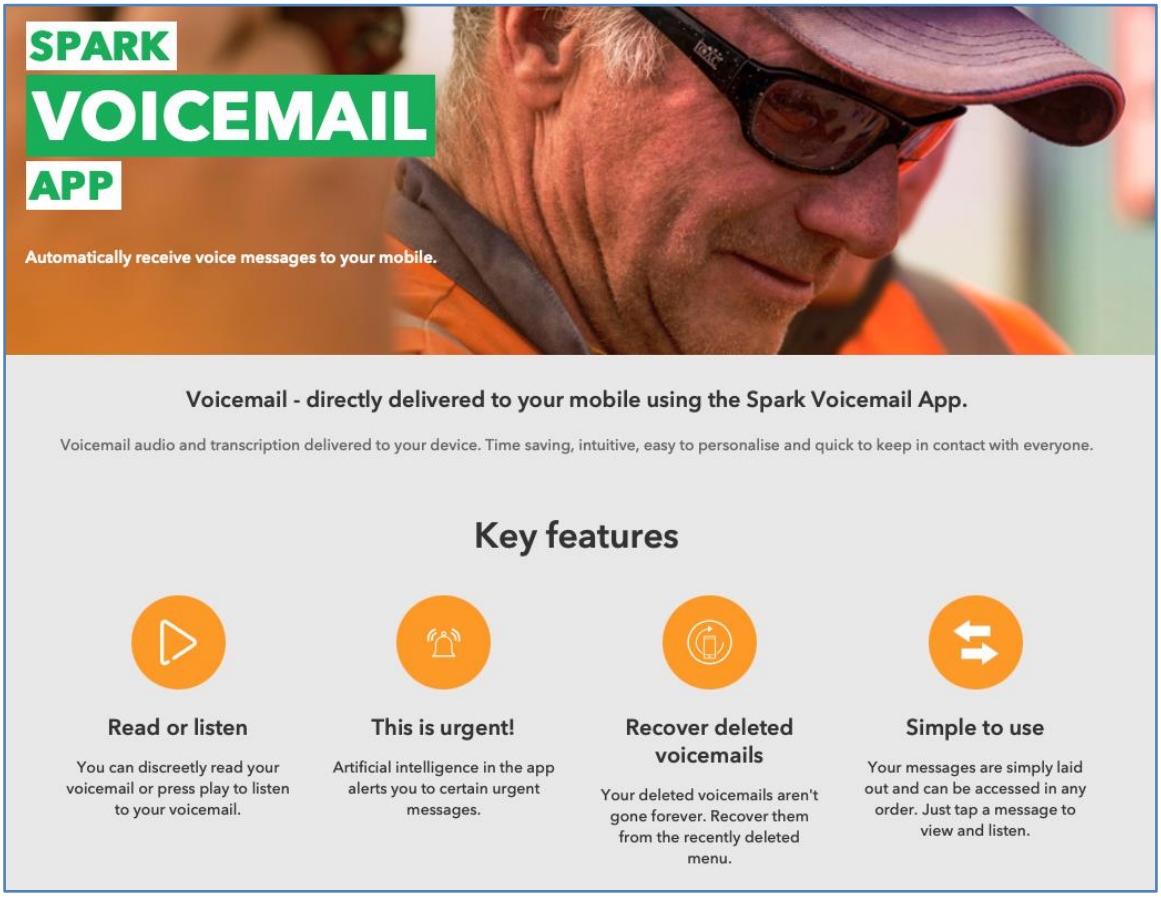


Image 1: Screenshot from Spark NZ's promotional page for Spark Voicemail

'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 September 2020 quarter and the accompanying Appendix 4C cashflow report.

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

"The September quarter illustrated that Norwood is positioned for robust long-term growth, as we continue to strengthen our financial performance. This validates our strategic focus to control cash burn to the most efficient level possible, whilst continuing to deliver our high-quality offerings.

"Crucially, we further strengthened our lucrative and ongoing relationship with Spark NZ with the successful delivery of Spark NZ's internally hosted visual voicemail solution. We can see from the analytics that they made a great start in terms of the early uptake of user to the new service.

"Norwood is expecting that this solution will eventually be taken by up by a majority of Spark NZ's customer base over the coming months, as Spark NZ continue their promotion of the service and their migration of subscribers over to the new underlying platform. Given that we get paid per active customer for this service that portends good news for our future cashflows.

"Another really important thing that the successful Spark launch gives us, is a robust world-class telco customer reference site using our platform in a "on-premises" configuration. Not many companies get to say their software is running within a telco's core operational network. It is a great credit to our talented engineering team that this launch has gone as smoothly as it has, being deployed into a highly complex and state-of-the-art telco network.

"Given our large pipeline of potential telco deals, this new reference site has provided a real boost for our current sales activities to convert some of our pipeline opportunities to the second, third and onwards telco customer relationships in the near team.

"We are excited to see the rapid early update of our great Visual Voicemail App by New Zealand customers, and can't wait to see both how this service scales within Spark NZ customer base and the impact that will have on our current sales pipeline."

Product Development Activities

During the quarter, Norwood contributed to the launch of a multi-site, geo-redundant and internally hosted visual voicemail solution, in conjunction with other subcontractors, for Spark NZ.

Post quarter, on 16 October 2020, Norwood announced that Spark NZ had successfully launced the solution and it is 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.

Norwood notes the Spark Voicemail app rapidly reached the "Number One" free App in both the iOS and Android App Stores in New Zealand, across all app categories, making it literally the most popular App of any kind in all of New Zealand during the initial launch phase.

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.

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Sales and Commercialisation Activities

As noted above, 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, Europe 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. The Company will report to the market as and when material developments take place with either or both parties.

Norwood is further currently exploring a number of additional novel partnerships of either a revenue-generating or revenue-sharing nature that involve bespoke technology development and/or technology licensing and/or cross-licensing opportunities. The Company will will report any deals arising to the market from these activities as and when they take place with such prospective parties. At this time, the Company is highly confident that announceable news is likely be generated within the current operating quarter for some of these novel partnership opportunities.

Corporate

R&D Tax Offset Rebate

The Company received an R&D tax offset rebate of $608,000 from the Australian Taxation Office during the quarter. A substantial portion of this sum was used to fully repay a loan facility, equating to $547,000, which was facilitated by Radium Capital and encompassed an upfront payment of 80% of Norwood's expected R&D tax offset rebate.

Business Activities Expenditure

In accordance with ASX Listing Rule 4.7C.1, with respect to business activities expenditure, Norwood can confirm there has been an increase in business expenditure by $143k in comparison to the previous quarter expenditure. Total direct business activity expenditure was $791k for the quarter (vs $648k last quarter), consisting of research and development expenses of $269k (vs $250k), operating costs of $131k (vs $93k) and staff costs of $175k (vs $172k). There was an additional $84k in administration and corporate costs (vs $133k). Net cash used in the operating activities for the quarter were again significantly improved, increasing to $340k in operating inflow against the prior quarter of operating outflow of $298k, a 214% improvement over the quarter. This was primarily driven by increased receipts from customers, R&D refund for FY2020, jobkeeper payments, as well as continued cost control measures.

Payments

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

This announcement is authorised for release by Paul Ostergaard, Managing Director and CEO.

<ENDS>

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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.

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Appendix 4C

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

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Name of entity	
NORWOOD SYSTEMS LIMITED	
ABN	**Quarter ended ("current quarter")**
15 062 959 540	30 September 2020

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	378	378
1.2	Payments for		
	(a) research and development	(269)	(269)
	(b) product manufacturing and operating costs	(132)	(132)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(176)	(176)
	(f) administration and corporate costs	(216)	(216)
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	755	755
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**340**	**340**

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	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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)	-	-
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	99	99
3.6	Repayment of borrowings	(547)	(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**	**(448)**	**(448)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	179	179
4.2	Net cash from / (used in) operating activities (item 1.9 above)	340	340
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 (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(448)	(448)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**71**	**71**

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	41	149
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)**	**71**	**179**

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	54
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 or 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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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.

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 2020.
    - 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.

The Radium Funding facility was repaid in full during Sept 2020 quarter.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	340
8.2	Cash and cash equivalents at quarter end (Item 4.6)	71
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	71
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**n/a see 8.6.1 below**

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: n/a – operating profit of $340,000 in the quarter.

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

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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: n/a	

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: 30 October 2020

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.

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