



26 April 2024

ASX ANNOUNCEMENT (ASX:CBL)

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C QUARTER ENDED 31 March 2024

Highlights

- Cash receipts from customers was up significantly quarter on quarter.
- The company received the first US\$200,000 from the ALS Association in the US to support the launch of our DROVE Autonomous Wheelchair Control Module in the US market.
- Worked commenced on the USA DROVE project with clinical trials scheduled to occur during the middle of the year.
- The business spent \$500,000 in R&D for the quarter as it accelerated development of DROVE and the NeuroStrip.
- Cash at the end of the quarter was ~\$0.9m.
- First customer demonstrations and trials underway for the NeuroStrip with early positive feedback.
- Growth in Australian sales activity has been substantial but conversion to cash has been significantly impacted by the well-publicised issues with the NDIS which continue to frustrate many clients and suppliers in the industry including CBL. The Australian team has ~\$0.6m of submissions with the NDIS awaiting approval and a similar amount due to be submitted to the NDIS in the coming months.

Control Bionics Limited (ASX: CBL), is pleased to announce its Activity Report and Appendix 4C for the quarter ended 31 March 2024.

Commenting on the quarter, Control Bionics CEO, Jeremy Steele said:

"I continue to be impressed with the team's commitment to growing our business in a complex operating environment. Where the business has excelled is in pursuing our previously discussed growth initiatives with milestones hit this quarter on NeuroStrip, DROVE and our core products. I highlight our recent performance in Japan where we can see the appetite the market has for NeuroNode Only sales, and which bodes well for our planned entrance into European markets in the coming months.

With significant ongoing issues with NDIS funding approvals in Australia, it is impossible to accurately forecast revenue for the coming months until the resourcing issues inside the NDIS are resolved. The impact is a deferral of sales in the Australian market and a delay to the delivery of life changing Assistive Technology to our clients.

The issues with the NDIS are being experienced industry-wide and we are working with fellow market operators and industry bodies to seek resolution as quickly as possible."

Operational Performance

(a) North America

Cash receipts for the quarter were up as the receivables balance held over at 31 December 2023 were reduced. Unfortunately, sales performance in January was impacted by the seasonal reset of insurance deductibles on 31 December 2023 pulling sales into December as well as pushing out into calendar 2024.

The US team has identified a number of additional distribution partners that will grow sales and potentially allow us to diversify away from traditional insurance funded sales.

(b) Australia

The significant delays experienced by the NDIS in approving submissions for Assistive Technology are being felt across the industry. This is made even more frustrating for Control Bionics as the strength of our pipeline and market reputation has never been better. Australia has more than \$1.1m in sales orders either with the NDIS for approval or in preparation for NDIS submission. In addition, there is a further \$0.5m of opportunities where our solutions are being trialled by customers. This is the most significant pipeline the Australian business has had since operations commenced.

The comfort we take in this difficult position is that the NDIS has acknowledged the problem and publicly stated it has allocated more resources to clear the backlog as quickly as possible. The impact this has on NDIS participants is meaningful.

(c) Japan

March saw our best sales month as our direct to market, NeuroNode Only strategy is resonating with customers. Our pipeline continues to grow, and we have identified opportunities for partnerships in Japan that will continue to underpin further expansion in this market.

(d) Product development

We have increased our investment in our research and development pipeline as we are focused on bringing new products to market. In particular this quarter:

- We received and are trialling the first batch of the NeuroStrip. As expected, the initial customer demonstrations have been very well received. We now have live partnership and customer sales discussions underway. These initial opportunities exist in Australia, the US and Japan.
- All of our software and firmware updates have been completed and released, with the exception of the iOS update, which will be released in the coming weeks.
- The DROVE US project (funded through the ALS Association grant) is well underway. We should be in a position to announce our research partner in the coming weeks, with clinical trials to commence in the middle of the year.

Quarterly cashflows and cash at bank

The Group's results reflect the following:

- Receipts from customers were up this quarter to \$1.75m (compared with \$1.09m for the previous quarter).
- R&D spending was up as we accelerated our investment in new products in advance of their wide release to the market.
- As previously disclosed, the business raised a further ~\$1m as part of a rights issue shortfall placement announced in late 2023.
- The cash balance at 31 March was \$0.9m.

Business Strategy

As the business commences its budgeting process for FY25, the Board and senior management recently conducted a review of our strategy. The key strategic pillars the business will focus on through FY25 are as follows:

- Grow each of the 3 operating businesses (US, Australia, Japan) such that the selling operations in each market are EBITDA positive.
- Build NeuroNode Only business globally.
- Deliver first commercial sales of DROVE autonomous wheelchair controller.
- Identify and execute on opportunities to more rapidly scale Control Bionics.
- Commercialise the NeuroStrip and associated App.
- Build a better organisation.

ASX Additional information

Expenditure on business activities

Pursuant to Listing Rule 4.7C.1, a summary of the expenditure incurred on the above business activities for the quarter:

Expenditure Category	Amount \$'000
Staff costs (Note 1)	1,292
Product manufacturing	414
Administration and corporate	447
Research and development (Note 2)	510
Advertising and marketing	50

Notes

1. Includes staff costs directed towards R&D
2. Excludes staff costs directed towards R&D

Related Party Payments

Related party payments as noted in Item 6.1 of the Appendix 4C comprise a total amount of \$106,703 paid to Executive Directors and their related parties and Board fees to Non-Executive Directors.

This ASX announcement has been approved for release by the Board of Directors of Control Bionics Limited.

About Control Bionics:

Control Bionics is a medical device company assisting patients whose ability to communicate verbally or via text and social media is compromised by illnesses such as Motor Neurone Disease (MND) and Amyotrophic Lateral Sclerosis (ALS). Our core patented NeuroNode technology is a wireless wearable device that detects minute signals sent from the brain to any skeletal muscle and is captured as EMG (Electromyography) output. This output is then sent wirelessly via the NeuroNode to a personal computer, enabling speech and other computer controlled functions like email and texting. Our technology is integrated with eye gaze technology whereby the eye gaze enables a cursor to be moved about a computer screen, driven much like a mouse, and the NeuroNode acts as like the mouse button. Control Bionics is the only such product to harness three modalities – touch, eye and NeuroNode control – which combined yield unique benefits in terms of the ability of patients to express themselves with significantly faster speed and less fatigue.

Control Bionics recently extended its offering to mobility with the launch of DROVE – the autonomous wheelchair module. DROVE allows powered users the independence to operate their wheelchairs in their own homes for the first time.

Control Bionics is currently commercialising its most recent advancement in its technology, the NeuroStrip®. This wearable, miniaturised EMG device provides the business with the opportunity to enter new markets such as health diagnostics, sports performance and rehabilitation to name only a few potential markets.

Control Bionics operates in North America, Australia, Singapore and Japan.

Investors and Media

Jeremy Steele – CEO and Managing Director
jsteele@controlbionics.com

Brett Crowley - Company Secretary
brettcrowley@controlbionics.com

For further information visit the website: <https://www.controlbionics.com/>

Appendix 4C

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

Name of entity

Control Bionics Limited

ABN

45 115 465 462

Quarter ended ("current quarter")

31 March 2024

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	1,747	4,341
1.2 Payments for		
(a) research and development	(510)	(637)
(b) product manufacturing and operating costs	(414)	(1,312)
(c) advertising and marketing	(50)	(328)
(d) leased assets	(87)	(87)
(e) staff costs	(1,292)	(4,170)
(f) administration and corporate costs	(447)	(1,055)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	11
1.5 Interest and other costs of finance paid	(19)	(37)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	481
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(1,068)	(2,793)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(11)	(521)
	(d) investments	-	-
	(e) intellectual property	(55)	(83)
	(f) other non-current assets	(90)	(141)
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	(156)	(745)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	995	3,825
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	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(75)	(186)
3.10	Net cash from / (used in) financing activities	819	3.508

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,314	936
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,068)	(2,793)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(156)	(745)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	819	3,508
4.5	Effect of movement in exchange rates on cash held	(26)	(23)
4.6	Cash and cash equivalents at end of period	883	883

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	883	1,314
5.2	Call deposits	-	-
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)	883	1,314

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	107
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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	131	131
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) – see below	-	-
7.4	Total financing facilities	-	131
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.		
	Item 7.1 represents Premium Funding arrangements for the Groups insurance coverage		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1068)
8.2	Cash and cash equivalents at quarter end (item 4.6)	883
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	883
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.83
	<i>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.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	<p>Answer: No, CBL is expecting an improvement in cash flows.</p> <p>Significant delays experienced by the NDIS in approving funding for sales by CBL have deferred sales revenue being received. CBL and other industry participants are working with the NDIS to resolve this issue in the near future.</p> <p>Cash outflow for the March quarter included substantial funding for the DROVE and NEUROSTRIP projects which should significantly reduce in future quarters.</p>	
8.6.2	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?	
	<p>Answer: CBL has been in continuous discussions with potential investors and lead managers to subscribe for additional capital in the company. CBL believes that it can raise capital if required in the short term to ensure that it can continue to fund its operations.</p>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<p>Answer: Yes. CBL is expecting an improvement in its cash flow in the next quarter and following and is confident that, if necessary, it can raise sufficient capital to support its continued operations and to meet its business objectives.</p>	
	<i>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.</i>	

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: 26 April 2024

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)