



31 July 2024

ASX ANNOUNCEMENT (ASX:CBL)

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C QUARTER ENDED 30 June 2024

Highlights

- Strategically important quarter for the business with a number of long running opportunities landing for the business.
- The business received TGA approval for DROVE, our autonomous wheelchair module, with sales to commence in FY25.
- Appointed a new CFO, Shannon Boothroyd, strengthening the team.
- Announced our partner agreement with Toho Lamac Japan and the awarding of General Services Administration Agreement in the US.
- Progress toward distribution agreements in new and existing markets.
- Control Bionics was featured at the United Nations Artificial Intelligence Conference in May 2024.
- Raised ~\$1.1m in May to support ongoing growth.
- Customer trials underway for the NeuroStrip.
- Significant milestones achieved in our application for a US Medicare HCPCS code for the NeuroNode, which when granted will allow us to sell and bill for the NeuroNode as a separate device in the US insurance markets.

Control Bionics Limited (ASX: CBL), is pleased to announce its Activity Report and Appendix 4C for the quarter end 30 June 2024.

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

'In a challenging economic and operating environment, I am pleased with the progress we've made against our strategic objectives. The outcomes we've delivered for DROVE, our progress in Japan and significant contract wins in the US are both a reflection of the work done over recent months and years as well as features that will underpin our future growth in the disability sector. And importantly, we are making strong progress in the development of our unique and innovative NeuroStrip technology which will provide both growth and diversification in our revenue streams.

Our Australian business continues its strong growth trajectory but also continues to experience significant delays in NDIS approvals. This has impacted our ability to convert the pipeline of orders to revenue and cash as we await their approval. This has been an ongoing industry wide issue throughout FY24 and we expect the problem to correct during FY25. It is encouraging that the issues we experienced with a third party billing provider in Q3FY24 in the US dissipated in the last quarter, with record monthly revenue for our US subsidiary in June.'

Operational Performance

(a) North America

The final quarter of FY24 ended strongly for the US, up almost 14% over the previous quarter. June 2024 was a record month for US sales both in terms of dollars and volume. We are seeing the benefits of the US General Services Administration contract and multiple school district contracts flow through to revenue. Our US business continued to progress the work required to complete the FDA application for DROVE, funded through the ALS Association Grant, awarded in January 2024.

Following a lengthy application and review process, we received notification in May that the Centres for Medicare and Medicaid had given preliminary approval for the NeuroNode to be provided with its own HCPCS code for an accessory to a speech generating device. Following a public hearing at the end of May 2024, we are now waiting final approval, which is expected to be announced in August 2024, for a 1 October 2024 commencement date.

(b) Australia

Our Australian business continues to be significantly impacted by ongoing issues with the NDIS. The delays in approvals from the NDIS are due to a shortage of resources inside the NDIS (which they've acknowledged publicly) and are being experienced industry wide. Where the business can control the outcomes – namely through building our pipeline, the Australian business has performed well. In H2FY24 alone, we saw a 20% half-on-half increase in orders to be submitted for NDIS funding. We expect this revenue to be delivered in the course of FY25.

The approval by the TGA of DROVE as a Class I medical device is a great outcome for the Group and we are now executing on our plan to retail these units in Australia.

(c) Japan

Japan had the strongest quarter since we commenced operations in this market. Our “NeuroNode Only” strategy is clearly well suited for this market, and whilst still in its first year of operation, it's a great indicator of the success we believe we can have in other markets globally.

(d) Other markets

Control Bionics continues to make progress towards its stated objective of generating “NeuroNode Only” revenue outside of the key markets of the US, Australia and Japan with advancing discussions with potential distribution partners.

(d) Product development

We remain committed to bringing to market the NeuroStrip and DROVE products over the course of FY25. As such our development work has been focused on these two products over the last quarter. Updates of note:

- Customer trials underway with our partner NeuroBounce (neurobounce.com) for the NeuroStrip. Feedback has been positive with the customer requesting commercial quantities for use as soon as we are able to provide.
- The business continues to work on NeuroStrip's associated App in order to widen the potential use cases for the device, and expand the scope of customer/clinical trials.
- The US subsidiary is close to finalising a contract with our DROVE Clinical Trials partner, which is part of the FDA application requirements.
- A recent CBL presentation to the Annual ALS Association conference in the US was very well received and there is clear interest in DROVE in the US market.

Quarterly cashflows and cash at bank

The Group's results reflect the following:

- Cash receipts of almost \$1m.
- Tightly controlled expenditure in Q4FY24 to see a reduction in operating expenses against Q3FY24 with quarterly operating cash outflows down from \$2.8m in Q3FY24 to \$2.3m in Q4.
- Following the appointment in May 2024 of Lynx Advisors as Control Bionics' corporate advisors, the business raised approximately \$1.1m through a private placement.
- In June 2024, the Company signed an agreement for funding against the business' expected FY24 R&D Tax Incentive. The business drew down on this facility before the end of the financial year for amount of \$430,000. This will be repaid when the Company's R&D Tax Incentive is paid, which is expected to occur by October 2024. At this stage the Company expects the claim will be well in excess of \$430,000.

Business 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 and cash 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 | 1,271 |
| Product manufacturing | 475 |
| Administration and corporate | 233 |
| Research and development | 130 |
| Advertising and marketing | 184 |

Related Party Payments

Related party payments as noted in Item 6.1 of the Appendix 4C comprise a total amount of \$155,363 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 dedicated to assisting patients whose ability to communicate is compromised by conditions 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, capturing 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 integrates eye gaze technology, allowing the eye gaze to move a cursor on a computer screen, while the NeuroNode acts as a mouse button. Control Bionics uniquely combines touch, eye, and NeuroNode control, offering patients the ability to express themselves with significantly faster speed and less fatigue.

We have recently expanded our offering to include mobility solutions with the launch of TGA registered DROVE, an autonomous wheelchair module that allows powered wheelchair users to operate their wheelchairs independently in their own homes.

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

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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")

30 June 2024

| Consolidated statement of cash flows | Current quarter (\$A'000) | Year to date (12 months) (\$A'000) |
|---|------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 968 | 5,310 |
| 1.2 Payments for | | |
| (a) research and development | (130) | (766) |
| (b) product manufacturing and operating costs | (475) | (1,787) |
| (c) advertising and marketing | (184) | (512) |
| (d) leased assets | (2) | (89) |
| (e) staff costs | (1,271) | (5,441) |
| (f) administration and corporate costs | (233) | (1,266) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 13 |
| 1.5 Interest and other costs of finance paid | (8) | (45) |
| 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 | (1,333) | (4,102) |

| | | | |
|------------|---|-------------|--------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) Entities | - | - |
| | (b) Businesses | - | - |
| | (c) property, plant and equipment | (3) | (524) |
| | (d) investments | - | - |
| | (e) intellectual property | (9) | (92) |
| | (f) other non-current assets | - | (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 | (12) | (757) |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 1,149 | 4,973 |
| 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 | (1) | (31) |
| 3.5 | Proceeds from borrowings | 430 | 430 |
| 3.6 | Repayment of borrowings | (46) | (46) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | (9) | (194) |
| 3.10 | Net cash from / (used in) financing activities | 1,523 | 5,132 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 883 | 936 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,333) | (4,102) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (12) | (757) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,523 | 5,132 |
| 4.5 | Effect of movement in exchange rates on cash held | (1) | (151) |
| 4.6 | Cash and cash equivalents at end of period | 1,058 | 1,058 |

| | | | |
|------------|--|------------------------------------|-------------------------------------|
| 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 | 1,058 | 883 |
| 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) | 1,058 | 883 |

| | | |
|---|---|------------------------------------|
| 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 | 155 |
| 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 | (430) | (430) |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) – see below | - | - |
| 7.4 | Total financing facilities | - | - |
| 7.5 | Unused financing facilities available at quarter end | | - |
| 7.6 | <p>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.</p> <p>In June 2024, the Group finalised a loan facility with Radium Capital secured against its eligible R&D Tax Incentive claim for the current year. The loan is for \$430,358, interest rate at 16% per annum and repayable on the earlier of the receipt of the R&D Tax Incentive or 31 December 2024.</p> | | |

| | | |
|---|--|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (1,333) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,058 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 1,058 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 0.79 |
| <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? | |
| Answer: | | |
| No, the Company is expecting an improvement in cash flows. Significant delays experienced by the NDIS in approving funding for sales by the Company have deferred sales revenue being received. The Company and other industry participants are working with the NDIS to resolve this issue in the near future. Cash outflow for the June quarter including substantial funding for the DROVE and NeuroStrip projects which should significantly reduce in future quarters. | | |
| 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? | |
| Answer: | | |
| Yes, the Company has raised \$525,000 in new capital (see ASX announcement). The Company has strong relationships with potential investors to subscribe for additional capital in the Company and believes that it can raise capital if required in the short term to ensure that it can continue to fund its operations. | | |
| 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? | |
| Answer: | | |
| The Company expects to continue its operations and meet its business objectives through an improvement in cash flows as described in section 8.6.1 above. It also expects to be able to secure funding from a variety of options and sources. | | |
| <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: 31 July 2024

Authorised by: By the Board