



31 October 2023

ASX ANNOUNCEMENT (ASX:CBL)

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C QUARTER ENDED 30 September 2023

Highlights

- Cash receipts from customers up almost 14% over the previous quarter as the underlying business continues to perform strongly.
- US sales remained strong for the quarter, with our US operations largely on budget for Q1FY24.
- EBITDA performance continues to be a focus with Q1 ahead of budget and a 30% improvement relative to Q1FY23.
- Cash at the end of the quarter was lower than forecast due to timing of working capital, employee entitlements and delayed receipt of our FY23 R&D Tax Refund.
- The Company expects to receive the R&D tax refund of approx. \$480k in November.
- In late October, the Company initiated a \$2.73m Rights Issue underwritten to the extent of \$1.077m by existing major investors Nightingale Pty Ltd and Phoenix Development Fund, and by several Directors of the Company.
- Shortly after the end of the quarter (on 10 October) we held our AGM and first Investor Day, announcing the release of the NeuroStrip, the next generation of our electromyography device, miniaturising the technology and increasing clinical uses for the device.

Control Bionics Limited (ASX: CBL), is pleased to announce its Activity Report and Appendix 4C for the quarter ended 30 September 2023.

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

“The business has had a solid start to the year with cash receipts up over the last quarter of FY24. The US business is performing close to budget, with consistent performance to last year, despite Q1 being a seasonally slower quarter due to the US summer holiday period.

The Australian business was affected somewhat by lengthening approval times from the NDIS with August and September noticeably slower months, however revenue was still up 8% over the previous quarter. We have seen improved performance in Australian sales in October.

Our revised Japanese strategy is demonstrating success, with sales and new rental contracts coming through and a firm pipeline of opportunities building.

Shortly after the end of the quarter we held our first technology showcase and Industry Day, demonstrating all of our technology including our newest technology advancement, the NeuroStrip. The NeuroStrip significantly advances our NeuroNode technology and increases the potential clinical settings in which the device can be used.”

Operational Performance

(a) North America

US revenue for the quarter was ~A\$1.3m which was slightly ahead of budget. The US summer can be slower for sales opportunities, which we experienced this year. Disciplined cost management saw operating expenses down ~15% over the previous quarter as the business continues to benefit from cost reductions put in place since the beginning of 2023.

The US business has a strong pipeline as we move into the last quarter of calendar 2023, which is typically the strongest quarter for Control Bionics in the USA.

(b) Australia

Whilst Australian sales were up ~8% over the previous quarter, we experienced slower than expected approval times from the NDIS that has seen some revenue deferred to Q2FY24. Good cost control in the Australian operation enabled the business to outperform its EBITDA budget and the Australian subsidiary was EBITDA positive for the quarter.

(c) Japan

Our revised Japanese strategy is underway with the first sales and rental agreements signed in September. Our 'NeuroNode Only' strategy is being well received by the Japanese market. This allows users to continue with their existing technology but add a NeuroNode to improve access. We are having success across a number of segments in Japan including special schools and hospitals.

Our pipeline is building and we expect to close an increasing volume of sales in the coming months, further contributing to growth in revenue and EBITDA.

(d) Product development

The business has had a very productive quarter delivering on our objectives of technology innovation and software development. Notable achievements include:

- Updated and released the new iOS version of our Controller App.
- Announced the release of the NeuroStrip, the culmination of a number of years' work in the miniaturisation of our NeuroNode technology. This is a significant achievement for the business and will create significant opportunities for us to expand the clinical settings in which our EMG device can be used in addition to potential new applications in the disability and consumer sectors.
- We finalised a major update to our NeuroNode firmware, delivering significantly improved battery life for the existing device and NeuroStrip.
- The final stage of the Therapeutic Goods Administration testing is underway for our DROVE autonomous wheelchair controller with first sales likely to occur in early calendar 2024. Continued user testing has been extremely positive.

Quarterly cashflows and cash at bank

The Group results reflected the following:

- Total operating cash outflows of \$1.48m was up over the last quarter. One-off employee entitlements and investment in working capital accounted for ~\$1m of this spend, which the business does not expect to recur in the coming quarters.
- Included in the cash outflows was a final employment payment of ~\$167,000 to Peter Ford, Control Bionics' Founder, who retired from an executive role however remains with the business as a Non-Executive Director. This is a non-recurring item, and reduces ongoing expenses.
- The business received ~\$A1.1m from the last rights issue in early July.
- Cash balance as at 30 September 2023 was \$0.48m.

Business Strategy

The Chairman and CEO provided shareholders with an update to our strategy as part of our AGM and Technology Day on 10 October. We continue to make excellent progress against our strategic pillars announced earlier in the year. Those pillars are:

- Drive growth in the US to reach monthly breakeven.
- Accelerate growth in Australia.
- Deliver first commercial sales of DROVE autonomous wheelchair controller.
- Drive NeuroNode sales globally as an unbundled accessory for use with any AAC system.
- Continue to enhance our software to improve performance and provide new applications.
- Assess opportunities to strengthen our supply chain and the key building blocks of our systems.
- Build an organisation where our people are supported, rewarded, given opportunities to grow and are respected.

With the NeuroStrip now released we are commencing discussions with clinicians who are interested in potential uses outside of our traditional AAC space. We expect to announce more on this in the coming months.

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)	1,624
Product manufacturing	868
Administration and corporate	298
Research and development (Note 2)	66
Advertising and marketing	121

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 \$261,986 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.

In October 2023 Control Bionics announced the launch of its next generation NeuroNode device, the NeuroStrip. The ultra-lightweight device features a direct to skin electrode which has comprehensive physiological telemetry and is a material advancement on the NeuroNode. NeuroStrip has a range of potential new applications in disability, medtech and consumer 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")

30 September 2023

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	1,507	1,507
1.2 Payments for		
(a) research and development	(66)	(66)
(b) product manufacturing and operating costs	(868)	(868)
(c) advertising and marketing	(121)	(121)
(d) leased assets	-	-
(e) staff costs	(1,624)	(1,624)
(f) administration and corporate costs	(298)	(298)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(1,478)	(1,478)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(4)
	(d) investments	-	-
	(e) intellectual property	(14)	(14)
	(f) other non-current assets	(38)	(38)
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	(56)	(56)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(1,122)	(1,122)
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)	37	37
3.10	Net cash from / (used in) financing activities	1,085	1,085

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	936	936
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,478)	(1,478)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(56)	(56)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,085	1,085
4.5	Effect of movement in exchange rates on cash held	(7)	(7)
4.6	Cash and cash equivalents at end of period	480	480

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	480	936
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)	480	936

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	262
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	-	-
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	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,478)
8.2	Cash and cash equivalents at quarter end (item 4.6)	480
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	480
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.6752
<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: The Company has incurred high transitional costs as it restructures its activities and organisation during the quarter, in addition to new product launch costs associated with the NeuroStrip and DROVE projects.	
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: The Board has announced a Non-Renounceable Rights Issue of up to \$2.73m with an underwritten commitment of \$1.07m from existing shareholders and Directors. The Company has a high confidence of success for this Rights Issue. Additionally, the Company has lodged its R&D Tax Incentive application for FY23 with AusIndustry with an expected cash benefit value of \$481k.	
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 through the announced Rights Issue, receipt of the R&D tax incentive and increased business performance in subsequent quarters.	
<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 October 2023

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