



28 January 2022

**ASX ANNOUNCEMENT (ASX:CBL)**

**QUARTERLY ACTIVITIES REPORT & APPENDIX 4C  
QUARTER ENDED 31 DECEMBER 2021**

**Highlights**

- Q2 FY22 Cash Receipts from sales of \$0.91m.
- Q2 FY22 Sales revenue (unaudited) was up 34% compared to previous quarter.
- The identified sales pipeline is growing and is valued at approximately \$9m.
- Unaudited management accounts are showing a loss of approximately \$3.1m for the half year to 31 December 2021.
- Key investments in people and infrastructure continued in Q2 FY22 as part of the Company's broader strategic plan.
- Two new products released in the quarter: COSMOS Connect and UNO Touch, with more under development.
- Control Bionics named in the top 10 most innovative companies by the Australian Financial Review and named one of the top MedTech providers in 2021 by MedTech Outlook.
- \$8.53m cash at 31 December 2021.

Control Bionics Limited (ASX: CBL), is pleased to announce its Activity Report and Appendix 4C for the quarter ended 31 December 2021.

**Commenting on the quarter, Control Bionics CEO, Robert Wong said:**

"We have continued to invest in our business footprint in Q2, as part of our strategy to build out our international business platform. We expect to see the return of this foundational investment as we emerge from COVID-19 impacts going forward. There are good early signs with strong sales pipeline growth and a record number of system sales in the USA for November and December – our largest market."

**Operational Performance**

**(a) North America**

Q2 FY22 sales through North American operations were A\$1.05m.

North American sales operations shipped a record number of devices in November and again in December. Reseller channels like Numotion are becoming regularly active. The new North American VP is having a strong impact on team performance. The Company made planned

investments in reimbursement claims talent, to reflect the growing insurance claims sales mix and to expedite accounts receivable collections.

#### **(b) Australia**

Q2 FY22 sales for the Australian operations were A\$0.31m.

The quarter has seen an increasing trend for assessments, trials and prescriber meetings as we continue developing strong relationships with significant patient rehabilitation centres (specifiers) and patient advocacy groups.

#### **(c) New Market Development**

Stringent COVID-19 lockdowns in Singapore during the quarter restricted activity by the Company's local distributor. The Company's investment in securing a distributor in Japan and customising our product for this market is progressing well. We expect to product launch in Japan in March 2022.

#### **(d) Product development**

The Company continued to develop and extend its product range in order to target expanded sales opportunities and new user groups. Notable actions in the quarter included:

- Launched COSMOS Connect. This product uniquely enables users to extend application of their NeuroNode system to be able to control multiple platforms from one NeuroNode device, including PCs, Macs, iPhones, iPads and Androids; and to play Xbox games, operate robots (such as Obi dining robot) and to operate articulated beds and electronic toys. This product will augment core NeuroNode Trilogy system sales, and also shows significant potential as a standalone controller for the much wider population of people with less severe disabilities than those using NeuroNode. This represents a substantial expansion of our technology to people with disabilities globally.
- Launching the UNO Touch system (both iOS and Windows). This is the Company's first product which targets users who are ambulatory with conditions such as autism. It has been well received by specifiers, with whom trials are underway.
- Continuing to develop a new NeuroNode software application and firmware which will be launched in February 2022, extending our technology leadership.
- Continuing to develop a new miniaturised NeuroNode device which will help extend the use to more complex conditions, plus provides a basis for potential new applications of our technology.
- Wheelchair control project in collaboration with Deakin University is on schedule for release in calendar 2022.

#### **Quarterly cashflows and cash at bank**

The group results reflected the following:

- Total net cash outflows of \$1.74m, principally from operating activities of \$1.62m.
- Cash balance of \$8.53m at 31 December 2021.
- There were no cash inflows from financing activities in the December quarter – CEO options were exercised in the quarter through a loan arrangement provided to the CEO for the full exercise price of \$0.7m.

The significant impacts on cash flow during the quarter were as follows:

- While sales revenue was up 34% in the quarter compared to previous quarter, cash receipts were comparable quarter on quarter, driven by increasing longer paying US insurance reimbursement sales.
- Larger purchases of some key inventory items to ensure stability of supply chain through 2022.
- Foreign exchange impact of \$64,000 due to movements in the USD/AUD exchange rates.

## **Business Strategy**

Since IPO in December 2020, the Company has embarked on a considered investment strategy to build out the business platform that maximises the long term sales potential of the NeuroNode technology in Australia, North America and Japanese assistive technology markets. Management's assessment of COVID-19 was that it would have a significant short to medium term impact, on top-line revenue, but would ultimately abate. The strategy is to be ready as markets open with a strong footprint. Great progress has been made with the fundamental plan by investing in:

- broadening the product offering with improvements to the NeuroNode range and augmenting the range with new products like COSMOS Connect and UNO Touch;
- growing and training specialist sales personnel to strengthen our USA/Australian sales teams
- expanding into regions where we were not represented both across North America/Australia and into new markets including Japan and Singapore;
- appointment of senior talent to lead critical operational aspects of the business;
- building an insurance funding team in preparation for more insurance funded sales;
- building market awareness of NeuroNode technology and brand with key specifiers in key regions; and
- building out quality scalable support systems and resources to assist the business across international multi-language markets

As the Company rounds out these investments in FY22 and COVID-19 conditions abate, management expects to see solid growing sales and productivity gains. The total identified sales opportunity pipeline is now valued at approximately \$9m, a strong leading indicator of the momentum of the business. While we expect this pipeline to continue to grow, not all will convert into actual sales. The pipeline has various stages and it's important to note, with insurance reimbursement trial/sale requirements, the rolling sales funnel can take up to 9 months to be realised.

## **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:

<b>Expenditure Category</b>	<b>Amount \$'000</b>
Staff costs	1,122
Product manufacturing	831
Administration and corporate	275
Research and development	102
Advertising and marketing	199
Leased assets	91

Pursuant to Listing Rule 4.7C.2, Control Bionics provides the following comparison of its actual expenditure since admission to the ASX on 7 December 2020 against the 'use of funds' statement in its Prospectus dated 26 October 2020.

Use of funds (A\$)	Prospectus estimate	Actual Expenditure to 31 December 2021
Sales and marketing	6,550,000	3,186,226
Research and development	3,000,000	970,789
Intellectual property protection	300,000	23,277
Regulatory and insurance approvals	500,000	330,726
Offer costs	1,500,000	208,233 <sup>1</sup>
Working capital and reserves	3,150,000	5,492,377
<b>Total uses</b>	<b>15,000,000</b>	<b>10,211,628</b>

<sup>1</sup> Total offer costs were \$1,579,864 of which \$1,360,200 was incurred prior to the date of listing (7 December 2020) and \$208,233 was incurred subsequent to the date of listing.

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.

[View our NeuroNode Trilogy Product Video-link1](#)

[View our new NeuroNode Trilogy Video-link2](#)

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

### Investors and Media

Rob Wong - CEO

[robwong@controlbionics.com](mailto:robwong@controlbionics.com)

Brett Crowley - Company Secretary

[brettcrowley@controlbionics.com](mailto: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 December 2021

Consolidated statement of cash flows	Current quarter (\$A'000)	Year to date (6 months) (\$A'000)
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	911	1,849
1.2 Payments for		
(a) research and development	(102)	(192)
(b) product manufacturing and operating costs	(831)	(1,551)
(c) advertising and marketing	(199)	(401)
(d) leased assets	(91)	(111)
(e) staff costs	(1,122)	(2,439)
(f) administration and corporate costs	(275)	(848)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	89	89
1.8 Other (provide details if material) <sup>1</sup>	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,619)</b>	<b>(3,604)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(59)	(127)
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(59)</b>	<b>(127)</b>

  

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	14
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) <sup>1</sup>	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>14</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	10,269	12,331
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,619)	(3,603)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(59)	(126)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	14
4.5	Effect of movement in exchange rates on cash held	(64)	(88)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,527</b>	<b>8,527</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,527	10,269
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,527</b>	<b>10,269</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	120*
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

\* related party payments of \$120,135 to two Executive Directors and their related parties and fees to Non-Executive Director

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.

<b>7.</b>	<b>Financing facilities</b> <b>Note: the term “facility’ includes all forms of financing arrangements available to the entity.</b> <b>Add notes as necessary for an understanding of the sources of finance available to the entity.</b>	<b>Total facility amount at quarter end \$A’000</b>	<b>Amount drawn at quarter end \$A’000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) – see below	217	217
7.4	<b>Total financing facilities</b>	<b>217</b>	<b>217</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
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> <div> <p>External financing facility to fund payment of annual insurance obligations:</p> <ul style="list-style-type: none"> <li>• Lender: Bank of Queensland (BOQ)</li> <li>• Interest rate: 4.79%</li> <li>• Maturity date: 24 August 2022</li> <li>• Unsecured</li> </ul> </div>		



8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,619)
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,527
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,527
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.3
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:	
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: Not applicable	
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: Not applicable	
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: Not applicable	
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: 28 January 2022

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.