26 October 2022

ASX ANNOUNCEMENT (ASX:CBL)

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C QUARTER ENDED 30 SEPTEMBER 2022

Highlights

- Q1 FY23 Cash Receipts from sales of $1.57m, up from $0.94m in Q1 last year.
- Q1 FY23 Revenue up 57% on Q1 FY22, and up 61% on Q4 FY22.
- Commencement of sales in the Japanese market.
- $4.4m cash at 30 September 2022.

Control Bionics Limited (ASX: CBL), is pleased to announce its Activity Report and Appendix 4C for the quarter ended 30 September 2022.

Commenting on the quarter, Control Bionics Chair, Roger Hawke said:

"Growth in unit sales continues to recover as markets reopen, and Q1 FY23 revenue is consistent with our forecast of YOY growth of around 40%. We are very pleased with the continued strong growth in sales in the USA, and the first commercial sale of our flagship Trilogy product in Japan. We anticipate continued sales growth in all key markets through FY23.

Losses are also forecast to reduce in FY23 as revenue growth improves, and our Japanese business starts to contribute.

User trials of our new wheelchair control technology are progressing successfully and we expect to bring a new product to market during the course of this financial year."

Operational Performance

(a) North America

Q1 FY23 sales through North American operations were A$1.38m, an increase of 70% over Q1 FY22, and an increase of 62% over Q4 FY22.

(b) Australia

Q1 FY23 sales for the Australian operations were A$0.31m, up by over 10% on the same quarter last year, and the last quarter of FY22. The Sales pipeline in Australia remains strong, and we expect to see substantial growth in revenue this financial year.

(c) New Market Development

The Japanese market for our products is substantial and is expected to make a modest revenue contribution in FY23, and growing materially over subsequent years.

During FY22, our Japanese market development was a significant source of expense as we created a bespoke Japanese language-based product, established a local branch office and appointed a substantial distributor. Our distributor Double R&D has now hired a dedicated sales resource specifically for our products, and we recently made our first full system sale in Japan.

Based on market feedback, we are also preparing additional products suitable for the Japanese market to maximise our opportunity there.

We also remain in active discussions in several other geographic markets for distribution of our complete systems or alternatively our NeuroNode and Cosmos Connect products as accessories that can be integrated with systems already available in those other markets.

(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:

- The Company continues to develop new products based on its market leading NeuroNode technology. A miniaturized platform is already in use for specialized disability applications and is adding to our sales pipeline. New features are being developed and tested for the miniaturized platform to enable a range of new applications within existing disability focused markets, and beyond to other medtech and consumer-oriented markets.

- Our unique wheelchair self-drive system developed in collaboration with Deakin University is currently undergoing in-home client trials with a major wheelchair manufacturer, and clinicians, and is expected to come to market later this financial year.

Quarterly cashflows and cash at bank

The Group results reflected the following:

- Total net cash outflows of $863k, principally from cash outflows relating to operating activities of $1.49m and cash inflows of $749K relating to the exercise of options.
- Peter Ford exercised options over 3,567,860 ordinary shares in July 2022 for a cash

consideration of $749k.
- Cash balance as at 30 September 2022 was $4.4m.

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 more recently Japanese assistive technology markets, and we are now open and ready for business in all of these markets. Great progress has been made with the fundamental plan by investing in:

- growing and training specialist sales teams and expanding regions where we were not represented across Australia, North America, Japan and Singapore;
- launching in Japan in April 2022;
- appointing senior talent to lead critical operational aspects of the business;
- improving market awareness of NeuroNode technology and brand with key specifiers in key regions;
- building out quality scalable support systems and resources to assist the business across international multi-language markets;
- building an insurance funding team in preparation for more insurance funded sales;
- strengthening the product offering with improvements to the NeuroNode range, and augmenting the range with new products like COSMOS Connect and UNO Touch; and
- Investment in R&D projects for future products and revenue streams.

Most of these investments are now in place, and we expect to see solid growing sales and productivity gains throughout FY23.

ASX Additional information

(a) 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	1,459
Product manufacturing	1,058
Administration and corporate	328
Research and development	82
Advertising and marketing	70
Leased assets	49

(b) App 4C

The amount included in section 6.1 of the Appendix 4C is the payment of fees to 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 operates in North America, Australia, Singapore and Japan.

Investors and Media
Roger Hawke – Chairman
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Brett Crowley - Company Secretary
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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	**Quarter ended (“current quarter”)**
45 115 465 462	30 September 2022

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		1,567	1,567
1.2	Payments for			
	(a)	research and development	(82)	(82)
	(b)	product manufacturing and operating costs	(1,058)	(1,058)
	(c)	advertising and marketing	(70)	(70)
	(d)	leased assets	(49)	(49)
	(e)	staff costs	(1,459)	(1,459)
	(f)	administration and corporate costs	(328)	(328)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		4	4
1.5	Interest and other costs of finance paid		(16)	(16)
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**		**(1,491)**	**(1,491)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(76)	(76)
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(76)**	**(76)**

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	749	749
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(48)	(48)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)[1]	-	-
3.10	**Net cash from / (used in) financing activities**	**701**	**701**

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,214	5,214
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,491)	(1,491)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(76)	(76)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	701	701
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	**Cash and cash equivalents at end of period**	**4,351**	**4,351**

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	4,351	5,214
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)**	**4,351**	**5,214**

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	140
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.

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)	(1,491)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,351
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	**4,351**
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	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: 26 October 2022

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