

21 January 2021

**ASX ANNOUNCEMENT**

## **QUARTERLY & CASHFLOW REPORT QUARTER ENDED 31 DECEMBER 2020**

Control Bionics Limited (ASX: CBL) is pleased to announce its Quarterly Activity Report and Appendix 4C for the quarter ended 31 December 2020.

### **Highlights for the Quarter**

- Solid sales for the Q2 FY21 of \$1.04m, 7% above the previous quarter, despite continuing COVID-19 impact.
- Completion of IPO capital raising of \$15 million and admission to the ASX
- 31 December 2020 cash balance of \$14.6 million
- Began forward investment in key sales, marketing and operational infrastructure as set out in the Prospectus
- Commenced Japan product language conversion for trials via local distributor in Q3 FY21
- Commenced core technology miniaturisation and NeuroNode wheelchair drive projects

### **Operations**

#### **(a) USA**

In the USA we saw a good increase in sales Q2 in accordance with the insurance funding defined seasonality and growing awareness of our NeuroNode Trilogy system capabilities. A higher percentage of insurance funded sales impacted cash flow as the payment cycle relating to these sales is longer. Access to clinicians and clients improved with some easing of COVID-19 restrictions.

We began to implement sales recruitment, marketing and operational investment plans resulting from the successful December IPO.

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

Sales for the quarter in Australia were affected by COVID-19 due to severe Victorian lockdowns but is recovering. We employed a fulltime sales representative in Queensland and an additional sales coordinator. We have also begun the recruitment process for representation in Western Australia and South Australia. We had good customer media coverage in December 2020 with national TV (The Project) and ABC National Radio with Geraldine Doogue which assisted with lead development.

Control Bionics Limited

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## International Development

We are currently recruiting for a Director of International Business Development to lead our international growth ambitions.

As Japan is a priority market, we have commenced NeuroNode Trilogy product language conversion into Japanese and will be commencing trials with a Japanese based assistive technology distributor/reseller in Q3.

We also signed a distribution agreement with *DESiN LLC* (Dayton, OHIO) who is the maker of Obi Feeding Robot for Australia, USA and Japan. We expect this to aid in increasing appeal of NeuroNode system sales for certain customers.

## Research and development

We have commenced resourcing and working on two primary R&D projects as outlined in the Prospectus. The first is to decrease the physical size and power consumption of our core NeuroNode technology as this will provide the necessary platform to apply our technology to additional market applications outside of disability. The second, is an in-home NeuroNode power wheelchair controller.

## Expenditure on business activities

A summary of the expenditure incurred on the above business activities for the quarter: follows:

Expenditure Category	Amount \$
Staff costs	525,505
Operations	463,903
Administration and corporate	395,561*
Research and development	68,983
Advertising and marketing	20,790
Leased assets	10,439
<b>Total</b>	<b>1,485,181</b>

\* This includes \$219k of offer costs that are not recurring.

## Use of Funds

The prospectus dated 26th October 2020 set out a proposed use of funds for how the \$15 million raised under the prospectus would be used. Set out below is a table comparing the proposed expenditure in the table in the prospectus with the amount spent on those items since the date of admission to the ASX (7th December 2020) up to 31st December 2020.

Use of funds	Prospectus estimate - A\$	Expenditure from date of listing to 31 December 2020
Sales and marketing	6,550,000	134,529
Research and development	3,000,000	41,284
Intellectual property protection	300,000	-
Regulatory and insurance approvals	500,000	1,291
Offer costs	1,500,000	219,664 <sup>1</sup>
Working capital and reserves	3,150,000	72,970
<b>Total uses</b>	<b>15,000,000</b>	<b>469,738</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 \$219,664 was incurred subsequent to the date of listing.

Given the short period from the date of listing to the end of the period, and the impact of the holiday period, we have had limited time to deploy the funds raised in the IPO. We believe that the rate of expenditure will accelerate over the next two quarters as we execute the plans outlined in the prospectus.

### COVID-19 Update

COVID-19 has impacted the industry's ability to access specifiers of the product (eg. speech language pathologists) and potential end users due to travel restrictions and lock downs globally. In Q2 (October- December) we saw some easing of restrictions in the USA, but remain cautious as the threat of COVID-19 business interruption is still high. One of our staff in the Cincinnati office contracted the virus and was forced to quarantine for two weeks. All other staff in that office were subsequently tested, and all test results were negative.

Given the nature of our business we already had in place a high degree of hygiene work practices, and all employees are now well trained in safety procedures to protect staff, clinicians and clients, given the nature of its business.

The USA remains challenging with COVID-19 case numbers still increasing and the hospital system is compromised in some areas. In Australia, lockdowns did affect the ability of Australian staff to maximise assessments with clinicians.

## CORPORATE

### Successful IPO

During the Quarter, the Company undertook an IPO on ASX, resulting in new equity capital of \$15 million from the issue of 25 million ordinary shares at \$0.60 per share.

The funds will be used to fund ongoing sales expansion in Australia, USA as well as opening new international markets such as Japan in the near future, and our Research and Development Plan.

## Quarterly cashflows and cash at bank

For the Quarter, the Company had:

- Net cash outflows from Operating and Investing activities of \$720,129. During the quarter the company received one-off receipts of \$38,720 in respect to Australian government COVID-19 support;
- Net cash inflows from Financing activities of \$13.4 million, being \$15 million from the IPO less costs of the capital raise of \$1.58 million;
- Total net cash inflows of \$12.7 million; and
- Cash balances of \$14.6 million as at 31 December 2020.

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

- capital raise cash in-flow (\$15m) & associated IPO cost out-flows;
- a 5% strengthening of the Australian dollar versus the US Dollar;
- greater proportion of insurance funded sales resulting in longer credit cycle;
- additional production related costs related to increased sales activity & build-up of trial stock;
- return to full time work from 4 day week in October 2020 in Australia and USA;
- additional costs relating to the Company's ASX listing, in particular, increased D&O insurance policy costs; and
- periodic software licence fees.

Cashflows for the Quarter include related party payments of \$108,665 to two Executive Directors and related parties. No Non-Executive Directors' fees were paid in the Quarter but their fees for the Quarter were accrued as at 31 December 2020 and will be paid in January 2021.

## Outlook

We are cautiously optimistic about sales in the next two quarters, given the ongoing COVID-19 uncertainty, particularly in the USA. We intend to invest confidently but wisely in core sales, marketing and operational infrastructure to support our product suite in the markets of USA, Australia and developing international market entry, particularly Japan.

This announcement was authorised by the Board.

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## About Control Bionics:

Control Bionics Limited is a technology company which enables a disabled person to use their own neuroelectric signals, from their brain to a muscle, to control communication and movement through smartphones, tablets, computers and robotics, even when that muscle is not fully functional. The Company's wireless wearable device, '*NeuroNode*', is a world leader in electromyography (EMG), capturing and processing those neuroelectric signals into electronic commands to do everything they would normally do with a keyboard, mouse, joystick or touchscreen. The technology also enables a person to use their eyes to replace a mouse in controlling a cursor on a screen simply by looking where they want a cursor to move; and then to select anything under the cursor, using NeuroNode; providing fast, intuitive communication and control through text, text-to-speech, emails, phone-messaging, web surfing and robotics.

## Investors

### Business/Client Inquiries

Rob Wong - CEO

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Brett Crowley - Company Secretary

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

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## 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 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	726,204	1,508,305
1.2 Payments for		
(a) research and development	(68,983)	(126,967)
(b) product manufacturing and operating costs	(463,903)	(788,940)
(c) advertising and marketing	(20,790)	(42,635)
(d) leased assets	(10,439)	(22,991)
(e) staff costs	(525,505)	(923,655)
(f) administration and corporate costs	(395,561)	(570,121)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	128	302
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	38,720	113,782
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(720,129)</b>	<b>(852,451)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-

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Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
	(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	<b>Net cash from / (used in) investing activities</b>	-	-

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	15,000,000	15,602,298
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	(1,579,864)	(1,595,614)
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)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>13,420,136</b>	<b>14,006,683</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	1,870,638	1,428,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(720,129)	(852,451)

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,420,136	14,006,683
4.5	Effect of movement in exchange rates on cash held	(3,745)	(15,737)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>14,566,899</b>	<b>14,566,899</b>

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	14,566,899	
5.2	Call deposits	-	
5.3	Bank overdrafts	-	
5.4	Other (provide details)	-	
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,566,899</b>	

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	108,665
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>		



<b>7. Financing facilities</b> <i>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.</i>	<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)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(720,129)
8.2 Cash and cash equivalents at quarter end (item 4.6)	14,566,899
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	13,846,770
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	19
<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:	
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:	
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:	
<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: 21 January 2021

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.

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