

28<sup>th</sup> April 2021

**ASX ANNOUNCEMENT (ASX:CBL)**

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

**Highlights for the quarter**

- Receipts from customers for Q3 FY21 of \$0.7m. Sales conversion delayed due to COVID-19 impact, changes in approval processes for National Disability Insurance Scheme (**NDIS**) and seasonality influences on insurance applications in USA.
- Continued investment in key sales, marketing and operational infrastructure as set out in the IPO Prospectus with some key new hires to strengthen the business to support further expansion in existing and new markets.
- Entered into a new reseller agreement with Numotion to offer the Control Bionics Trilogy product line in the US states of New Hampshire, Vermont, and New York.
- Access to patients and clinicians in the US and Australia continued to improve with an increase in the number of trial units in the field to underpin a growing sales pipeline.
- \$13.5m cash balance at 31 March 2021 following the successful IPO in December 2020.

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

**Comment on the quarter, Control Bionics CEO, Robert Wong said**

“The March quarter was our first full quarter post-IPO and we began to deploy our \$15m in IPO funding as per the Prospectus strategy. We continue to invest in multiple facets of the business to support our global expansion initially focused on the US, Australia and Japan. We have a clear vision and world-class technology to take to the world and are making good progress.

As the benefits of our investments bear fruit, we see a clear path forward in key markets, continued leadership in product innovation within the disability sector and opportunities for our technology in new markets.

Revenue for the quarter is lower off a small base, due principally to COVID-19 impact, changes in approval processes for NDIS and seasonality influences on insurance applications in USA.

Our focus remains on executing our strategy: train, sell and surpass customer expectations. Above all continue to create life-changing connections for our users and their families.”

## **Operational Performance**

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

In the March 2021 quarter, sales through US operations were lower than the previous quarter following defined seasonality in the insurance funding sector and COVID-19 case numbers still increasing & the hospital system compromised in some areas.

Access to clinicians and clients continued to improve, despite the constraints. The Company's US operations during the quarter increased the number of trial units with access specifiers at rehabilitation facilities and veterans' associations reflecting a strengthening of the sales pipeline into the June 2021 quarter and FY2022.

US operations continued to recruit new sales consultants and established a Client Ambassador Program with two Ambassadors already on board.

US operations have received successful approval of Medicare accredited status for a further 3 years.

US operations have also entered into a reseller agreement with Numotion, a leading provider of Complex Rehab Technology, to offer the Control Bionics Trilogy product line in the US states of New Hampshire, Vermont, and New York. The reseller agreement is expected to increase market awareness and drive sales of the Control Bionics Trilogy Speech Generating Device as well as its best-in-class NeuroNode 3.0 sEMG (surface electromyography) + Spatial sensor.

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

In the March 2021 quarter, sales continued to be affected by the impact of COVID-19 restricting our ability to maximise assessments with clinicians and NDIS internal changes extending approval timeframes.

The AUS operations during the quarter increased the number of trial units in the field, with speech pathologists in particular, reflecting a strengthening of the sales pipeline into the June 2021 quarter and FY2022.

AUS operations placed new sales consultants in South Australia, Victoria and New South Wales.

Control Bionics continues to engage with the NDIS to expedite funding approvals for company products. Control Bionics staff have completed the NDIS audit and registration processes.

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

Control Bionics has appointed an International Market Development Director, along with a local Japanese Tokyo based business consultant. Market trialling commenced in Japan with a specialist Assistive Technology distributor.

## **(d) Corporate**

During the March 2021 quarter, there has been notable investment in the Corporate function for Control Bionics with the appointment of Neale Java as Chief Financial Officer (CFO) in February 2021. Neale has a remit to build a strong Group Finance function, enhance commercial performance across the group and drive corporate development initiatives.

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

For the March 2021 quarter, the consolidated group results reflected the following:

- Net cash outflows from Operating and Investing activities of \$1.03m. During the quarter the company received \$0.13m from its submission of the R&D tax incentive.
- There was a small outflow of \$0.04m to purchase fixed assets during the quarter.
- Net cash inflows from Financing activities were minimal at \$0.04m, representing proceeds from issue of shares as a result of exercise of options, and a small refund in ASX listing fee costs.
- Total net cash outflows of \$1.04m in the quarter.
- Cash balances of \$13.5m as at 31 March 2021.

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

- Increase in staff costs as a direct result of investment in capability with appointment of a new CFO, a new International Business Development Director and a number of sales consultants.
- Continued investment in key sales, marketing and operational infrastructure as set out in the Prospectus.
- Sales conversion delayed due to COVID-19 impact, changes in approval processes for NDIS and seasonality influences on insurance applications in USA.
- Additional production related costs related to investment in trial stock and demonstration units for new sales staff.

Cashflows for the quarter include related party payments of \$159,439 to two Executive Directors and their related parties and three Non-Executive Directors. As highlighted in the December 2020 Appendix 4C, Non-Executive Director fees for October to December 2020 were accrued at 31 December 2020 and have subsequently been paid in January 2021.

### **ASX Additional information**

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 March 2021
Sales and marketing	6,550,000	734,713
Research and development	3,000,000	167,731
Intellectual property protection	300,000	5,925
Regulatory and insurance approvals	500,000	66,581
Offer costs	1,500,000	208,233 <sup>1</sup>
Working capital and reserves	3,150,000	1,245,927
<b>Total uses</b>	<b>15,000,000</b>	<b>2,429,109</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 (see note 2 with Appendix 4C) 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 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 and Media

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/>

## 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 March 2021

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	773,158	2,281,463
1.2	Payments for		
	(a) research and development	(93,624)	(220,592)
	(b) product manufacturing and operating costs	(581,233)	(1,369,703)
	(c) advertising and marketing	(94,645)	(137,280)
	(d) leased assets	(23,281)	(46,271)
	(e) staff costs	(707,614)	(1,631,269)
	(f) administration and corporate costs	(427,751)	(997,872)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	269	571
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	126,343	240,125
1.8	Other (provide details if material) <sup>1</sup>	-	(774,961) <sup>1</sup>
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,028,378)</b>	<b>(2,655,790)</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	(42,173)	(42,173)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 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>(42,173)</b>	<b>(42,173)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	25,825	15,628,123
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	11,431 <sup>2</sup>	(1,584,183)
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>	-	774,961 <sup>1</sup>
3.10	<b>Net cash from / (used in) financing activities</b>	<b>37,256</b>	<b>14,818,900</b>

**Notes**

<sup>1</sup> \$774,961 reclassified in prior periods from 'Cash Flows from Financing Activities' to 'Cash Flows from Operating Activities' in relation to transaction costs (AASB 132) from the listing of shares during the IPO. This adjustment aligns the 4C reporting with disclosure in the Appendix 4D and Half Year Report as at 31 December 2020 where these costs were expensed through the Profit and Loss statement.

<sup>2</sup> Transaction costs reflected a net inflow for the quarter as a result of a refund of \$16,180 relating to previously estimated costs of the IPO listing fee with the ASX.

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
<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	14,566,899	1,428,405
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,028,378)	(2,655,790)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42,173)	(42,173)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	37,256	14,818,900
4.5	Effect of movement in exchange rates on cash held	(5,153)	(20,891)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>13,528,452</b>	<b>13,528,452</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
5.1	Bank balances	<b>13,528,452</b>	<b>14,566,899</b>
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>13,528,452</b>	<b>14,566,899</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	159,439
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</b>	<b>Amount drawn at quarter end \$A</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)	(1,028)
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,528
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	13,528
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	13
<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: 28 April 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.